



Ontario. Legislative assembly - [Committee]
select committee on consumer credit
hearings

SELECT COMMITTEE ON CONSUMER CREDIT

Proceedings of the hearing
held at the Parliament Build-
ings, Toronto, Ontario, on
the 22nd day of July, 1963.

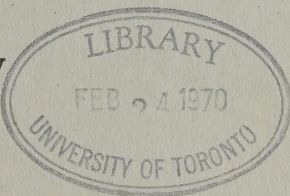
COMMISSION:

Mr. H. J. Price	Chairman
Mr. J. Sedgwick, Q.C.	Commission Counsel
Mrs. S. Dell	Secretary

- - - - -

P R E S E N T:

Mr. D. W. Irwin, C.A.	Financial Consultant
Mr. M. Belanger	Member
Mr. P. Hoffman	Member
Mr. L. Letherby	Member
Mr. L. Reilly	Member
Mr. J. White	Member
Mr. D. C. MacDonald	Member
Mr. G. Bukator	Member
Mr. A. F. Lawrence	Member



A P P E A R A N C E S:

Mr. S. C. Bowen	General Manager of the Better Business Bureau of Metropolitan Toronto.
Mr. E. Rosenberg	Northern Loan Company



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DPW 44 1 that we have THE CHAIRMAN: We will proceed with the and
2 meeting. I believe there are a few other members who'll
3 be here later on. The only member I've heard from who
4 can't make this meeting is Mr. Noden and because of
5 another important commitment he made some time ago he's
6 going to be unable to be with us today. at probably it
7 would not Now, our agenda this afternoon is not long.
8 We had intended to hear from more people today but unfor-
9 tunately, due to circumstances beyond our control, our
10 agenda is shorter than we had originally planned it.
11 I do hope We're hearing first from Mr. S.C. Bowen,
12 General Manager of the Better Business Bureau of Metro-
13 politan Toronto. Some time ago we were in touch with
14 Mr. Bowen and he said he would be pleased to appear here
15 today and give us the benefit of his advice and informa-
16 tion in connection with the matter which is under investi-
17 gation. Mr. Bowen? breakdown of cost of article, annual
18 interest MR. BOWEN: Mr. Chairman, ladies and gentlemen,
19 it seems rather incongruous for me to be the first person
20 called upon at this meeting. However, I leave it to your
21 own good judgment that you should have done so. ly upon
22 the many While we at the Bureau have no real contact or
23 tie-in with interest charges and so on in relation to
24 consumer credit, but we are vitally interested in consumer
25 credit, and we must base our observations upon the conclu-
26 sions that we may have arrived at - which we have arrived
27 at, actually - based upon public complaints which have
28 been brought to our attention over the years, and I do
29 hope that in the short brief which I had prepared that
30 I might be able to outline generally the observations



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1 that we have arrived at from our own conclusions, and living
2 based upon the nature of the complaints which we have of
3 received over the years in relation to consumer credit.
4 I'll quote If you bear with me - and I won't be long - 395
5 in fact, when Mrs. Dell called me this morning I think
6 she was rather amazed when I told her that probably it
7 would not require more than about five minutes of your
8 time. I sort of thought from her reaction that maybe
9 you were short of witnesses or persons to appear today
10 and that I would be expected to speak longer. However,
11 I do hope that in the observations which I have put down
12 here - will at least be of some help to you in arriving
13 at the conclusions that you may do so as a result of
14 this hearing. I'll proceed from there. Signature, and
15 it reads: Every person in business who extends credit to
16 consumers should make written disclosure of all costs
17 involved by a simple breakdown of cost of article, annual
18 interest, service charge, and/or any extra cost that
19 might enter into the terms of the contract or conditional
20 sales agreement. As deemed necessary and failure to do so
21 means that From our observations based principally upon
22 the many - and I emphasize this - the many pathetic
23 consumer complaints we receive. Interest rates and/or
24 service charges are not clearly explained by many vendors.
25 In fact, the average salesman does not appear to be suffi-
26 ciently well-versed to give a lucid explanation. They
27 refer usually to a standard charge or charges, or an
28 interest rate, but somehow or other the effective rates
29 of interest in the end result are sometimes twice as much
30 or more than what the consumer was led to believe.



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30 or more than what the consumer was led to believe.



1 preliminary The following excerpts from a contract involving
2 the purchase of a used car illustrate the gullibility of
3 the purchaser and the ruthlessness of the dealer, and
4 I'll quote. The offer to purchase a 1961 car for \$1,095,
5 together with trade-in of a 1958 used car. The accounting
6 as it appears in the contract is as follows: trade value,
7 \$1,100; less liens of \$850; equity, \$250; cash, \$2. Total
8 credit of \$252.

9 On the other side of the contract appears the
10 price of the car being purchased, \$2,195; licence, \$2;
11 sales tax, \$32.85; total, \$2,229.85. The balance due
12 less the \$252 credit is \$1,977.85. Underneath the fourth
13 line the following notation appears in longhand,
14 immediately followed by the purchaser's signature, and
15 it reads: first four payments at approximately \$41 per
16 month; balance at approximately \$82 per month, and then
17 the signature.

18 In very small print towards the end of the
19 contract appears the following: I agree to sign any and
20 all finance papers deemed necessary and failure to do so
21 means that I shall forfeit my entire deposit or one
22 hundred dollars, whichever is greater.

23 Now, nowhere in the contract was there any
24 mention of interest and/or carrying charges, nor - and up
25 this, I think, is very important - the number of months
26 within which the total costs were to be paid. It is also
27 common practice for some vendors who cannot do their own
28 financing to arrange with finance companies to do this
29 for them. The contract forms used are supplied by the
30 finance companies. Many such contract forms have



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30 finance companies. Many such contract forms have



1 promissory notes attached either by perforation or in
2 other cases they appear without perforation.

3 The consumers are often unaware of the fact
4 they have entered into a contract with a finance company,
5 not the vendor. The purchaser with a complaint may have
6 no right to go to the vendor for satisfactory adjustment
7 of a complaint. We at the Better Business Bureau are
8 sure that the members of this Select Committee on Consumer
9 Credit and those others present will hear from experts
10 concerning interest rates and carrying charges.

11 Our records indicate that we have little or no
12 complaints from the public relating to cash loans.
13 Interest rates are usually spelled out by companies in
14 this field and where we may get a complaint there is
15 usually a ready explanation and the complaint quickly
16 disposed of satisfactorily.

17 The Small Loans Act, within its limitations,
18 is a truly effective measure in this area of cash loans.
19 In past years many consumer complaints involving mortgage
20 loans and the outrageous rates of interest and skulduggery
21 practised by elements in this classification were directed
22 to the Bureau. It was my pleasure - and I say this
23 sincerely - to sit in on hearings conducted by Mr. White-
24 head, Superintendent of Insurance, that ultimately led up
25 to the implementing of the Mortgage Brokers' Registration
26 Act.

27 This Act has certainly been responsible for a
28 considerable clean-up in this field. Personally I've
29 always had the greatest respect for the Registrar, Mr.
30 V.J. Simone, and I might add my sympathy in his efforts



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28 considerable clean-up in this field. Personally I've
29 always had the greatest respect for the Registrar, Mr.
30 V.J. Stinson, and I might add my sympathy in his efforts



1 to administer this Act. He is a dedicated public servant.

2 Perhaps I should not indulge in personalities,
3 but I had to say that. You can strike it out if you wish
4 to do so.

5 We, the Bureau, are, however, also greatly
6 concerned in another aspect of consumer credit buying.
7 It is the highly questionable business practices adopted
8 by some vendors in the retail selling field. Through
9 devious schemes they lure gullible consumers into
10 signing instalment and/or conditional sales contracts in
11 the purchase of merchandise, in the process of which the
12 vendor intimates generous kickbacks in the form of commis-
13 sions for referring leads for further sales or by buying
14 back articles such as garments the purchaser may have
15 made with the appliance purchased such as a knitting
16 machine.

17 In most instances, the consumers are assured
18 that commissions and/or buy-back profits will pay the
19 entire cost of their purchase. They can even make more.
20 In other words, you're practically getting something for
21 nothing.

22 Unless the consumers read and thoroughly under-
23 stand the very small print which makes up most of the
24 contract they are not aware if they are signing an iron-
25 clad agreement committing themselves to full payment of
26 all the costs involved regardless of any possible referral
27 commissions or buy-backs.

28 In most instances, the customer has not had the
29 money to make an outright purchase of the merchandise no
30 matter how badly it may have been needed. That is a

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Under the Consumer Credit Act, however, the
vendor who pays kickbacks to the salesperson is
guilty of an offence. It is a criminal offence
and the vendor is liable to a fine of \$100 or
imprisonment for six months or both.

In most instances, the consumer has not and the
vendor is not an outright purchaser of the merchandise but
simply has had to pay for it. That is a



1 terrible blow when he discovers little or no commission
2 or buy-back.

3 These contracts or conditional sales agreements
4 are usually bought up by a small element in the sales
5 financing field who are totally indifferent as to whether
6 or not the vendor from whom they bought the paper ever
7 fulfils his promises to the consumers.

8 Recently, in such a buy-back scheme, the
9 consumer was sued by the finance company. The court ruled
10 in the consumer's favour because the vendor had not lived
11 up to his agreement. Despite many consumer complaints
12 directed to these various financing companies about the
13 vendor not fulfilling his obligation they continue to buy
14 his paper.

15 The consumer becomes more and more in arrears
16 in his efforts to obtain justice only to have - perhaps
17 have his wages garnisheed or face court action. The
18 referral selling racket - and I use the word advisedly -
19 has been used, and is being used, in the home improvement
20 field, sale of automobiles, water conditioning units,
21 electrical appliances, et cetera.

22 The greatest racket ever imposed in Ontario in
23 my opinion was a buy-back scheme which involved the sale
24 of an automatic type of knitting machine in which the
25 company stated they would buy back all the articles the
26 purchaser could produce. The small print, read with a
27 magnifying glass, presented so many wherewiths and where-
28 ands that the consumer was hooked but good.

29 Hundreds of complaints were received from
30 across Ontario. The dealer received many letters from



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abouts that the consumer was hooked but good.
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across Ontario. The dealer received many letters from



1 lawyers, solicitors acting on behalf of clients, asking
2 particulars on this outfit. One lawyer intimated he was
3 acting on behalf of a hundred clients. Most of the
4 purchasers of this machine bought because they wanted to
5 augment the small family income. They could not possibly
6 have afforded to buy the knitting machine at the prices
7 quoted.

8 Incidentally, the prices ranged from \$259 to
9 \$399 for the same machine. Inquiries and special shopping
10 sprees revealed to us that \$150 would have been a good
11 asking price.

12 Let me end this brief with the hope that if
13 some legislation is recommended by this Committee it
14 should incorporate something to the effect that the
15 consumer may have the same rights against the holder, in
16 due course, of a conditional sales agreement as he would
17 have against the vendor. I believe this is now part of
18 an act introduced in Manitoba and I am all for it.

19 Thank you, gentlemen.

20 THE CHAIRMAN: Thank you, Mr. Bowen. Any
21 questions, Mr. Sedgwick?

22 MR. SEDGWICK: I don't think so. I've been
23 making notes. Only one question. Mr. Bowen, you said
45 24 that the Small Loans Act is truly effective within its
25 limitations. Have you any other limitation in mind
26 except amounts?

27 MR. BOWEN: Based upon our own observations and
28 discussions we have had with finance companies it doesn't
29 appear as if finance companies are too interested in the
30 amount exceeding \$1,300 based upon the rate of interest



1. [Illegible]
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 38. [Illegible]
 39. [Illegible]

40. [Illegible]
 41. [Illegible]
 42. [Illegible]

43. [Illegible]
 44. [Illegible]
 45. [Illegible]



1 of what the Act calls for now, which I think is 1% on
2 \$1,000 to \$1,500.

3 MR. SEDGWICK: What is the limitation that you
4 have in mind? Do you think the ---

5 MR. BOWEN: I should like to see it at least
6 \$2,500.

7 MR. SEDGWICK: What was that recommendation you
8 made at the last ---

9 MR. BOWEN: That the ---

10 MR. SEDGWICK: That something should be incor-
11 porated in the Act - the consumer should have the same
12 rights against the holder in due course ---

13 MR. BOWEN: Right.

14 MR. SEDGWICK: As against the payee of the
15 note; is that right?

16 MR. BOWEN: As against the vendor, yes. I
17 think that is important based upon the terrific number
18 of letters we have had from people who have appealed to
19 the finance company when they have found that there is
20 no sense in appealing to the vendors themselves - that
21 they are completely indifferent to any obligations that
22 the vendor may have committed himself to and for which
23 he is not

24 MR. SEDGWICK: Have you given any thought to
25 what may be

26
27 MR. BOWEN: The reason we've studied the
28 problem of holders in due course which is

29 to the federal field of

30 MR. SEDGWICK: The ---



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26 MR. BOWEN: The reason we've studied the

27 practice of holders in due course which is

28 the reason for the ---

29 MR. SEDGWICK: ---



1 MR. BOWEN: That might very well be. You may
2 be quite right in that. I have, more or less, presented
3 my own opinion on this - leading up to - perhaps I've
4 gone beyond - that there's also - of course, you've made
5 no reference to it - there's the unconscionable trans-
6 actions relief

7 MR. SEDGWICK: They also help themselves
8 to the provincial field, too.

9 MR. BOWEN: So I believe.

10 MR. REILLY: Mr. Chairman, I wonder if Mr.
11 Bowen would care to elaborate on what he said was a buy-
12 back in the retail selling.

13 MR. BOWEN: The buy-back sales where a merchant
14 sells a product and through this product he may be able to
15 make some garments, babies' shoes, and so on and so forth,
16 and if this company will - they will buy back the merchan-
17 dise that they make and in this way from the profit of
18 the buy-back they will eventually pay for the machine.
19 In other words, the machine will be for free.

20 MR. REILLY: We will go into that, Mr. Bowen.
21 One of the - I think it was referral selling racket -
22 you indicated there that a knitting machine that would
23 retail anywhere from \$259 as high as \$399. Where would
24 you get the value that you placed on it of approximately
25 \$150?

26 MR. BOWEN: Shopping around at various retail
27 outlets and comparing the price of machines involved,
28 and also, I might say, with the importers who brought the
29 machines in from Japan in the first place.

30 MR. REILLY: Would that be the wholesale or the



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MR. RAILLY: We will go into that, Mr. Bowen.
One of the - I think it was referred selling basket -
you indicated there that a knitting machine that would
retail anywhere from \$250 as high as \$350. Where would
you get the value that you placed on it of approximately
\$150?

MR. BOWEN: Shopping around at various retail
stores, I might say, with the importers who bring the
merchandise in from the foreign places.
MR. RAILLY: Would that be the case in the



1 retail value?

2 MR. BOWEN: Retail, sir.

3 MR. REILLY: Do you think it's important,
4 Mr. Chairman - Mr. Bowen thinks it's important for a
5 person to know what

6 this is one of the things that you'll bring out.

7 MR. BOWEN: He's signing a contract then he
8 actually should know that he's doing business with a
9 finance company, not with the vendor from whom he's
10 purchasing this. I think it is important and the terms
11 that I use to express myself when I said that when they
12 sign this contract they have perhaps - and have been
13 told by the vendor that this is the way it works out.

14 THE CHAIRMAN: And it doesn't work out. They've
15 made one commission - they may buy back even one garment
16 and that's the end of it, and with the price of the
17 article in the beginning the increased price in the
18 retail value of it more than offsets the little bit that
19 they might allow in commissions.

20 MR. BOWEN: And from there on they will not do
21 anything.

22 THE CHAIRMAN: And, of course, the people go
23 back to the - the public go back to the vendor - to the
24 finance company when they find out that they
25 it must be dealt with.

26 MR. LETHERBY: Mr. Bowen, you have been very
27 reliant in your view that a lot of these or some of these
28 finance companies carry on this definite racket. You
29 were very frank about this, and I agree with you. I
30 think I might briefly mention, Mr. Bowen, here one little



1

2 MR. BOWEN: He's signing a contract that he

3 MR. KELLEY: Do you think it's important.

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5 person to know what

6 this is one of the things that you'll bring out

7 MR. BOWEN: He's signing a contract that he

8 actually should know that he's doing business with a

9 finance company, not with the vendor from whom he's

10 purchasing this. I think it is important and the fact

11 that I use to express myself when I said that when they

12 sign this contract they have perhaps - and have been

13 told by the vendor that this is the way it works out.

14 THE CHAIRMAN: And it doesn't work out. They've

15 made one commission - they may buy back even one hundred

16 and that's the end of it, and with the price of the

17 article in the beginning the increased price in the

18 retail value of it more than offsets the little bit that

19 they might allow in commissions.

20 MR. BOWEN: And from there on they will not do

21 anything.

22 THE CHAIRMAN: And, of course, the people go

23 back to the - the public go back to the vendor - to the

24 finance company when they find out that they

25 are not to be paid with

26 Mr. Chairman, Mr. Bowen, you have been very

27 reliant in your view that a lot of money on some of those

28 finance companies carry on that definite practice. You

29 were very frank about this, and I agree with you. I

30 think I might briefly mention, Mr. Bowen, none one little



1 incident that came to my attention back home - and I
2 come from Coldwater, Ontario. They have a man up there
3 who's retired. He's not wealthy but he has, you know,
4 comfortable means. He decided that he would accept the
5 recommendation of one of these television ads - cars
6 bombard the buyers - and you can buy so-and-so car for
7 \$2,990 - we'll say this for figures - and he figures it's
8 a good buy for this particular car which is new. He
9 figures, well, probably it's a good time to deal my car
10 in and I can just put my cheque book out and write a
11 cheque and grab that car.

12 He goes down to these people - I think they
13 were Park Motors - I'm not afraid to mention them - that's
14 what I'm told they were - and they said, "Oh, no, this
15 is for finance; we don't do that for cash. You've got
16 to go through the process of finance." To complete the
17 story the man blew his top and he cursed and swore and
18 he put his cheque book back in his pocket and went home.

19 Now, what I think about that situation
20 is this: that there's a matter for this Committee -
21 I mean, because they're cheated.

22 MR. BOWEN: It does exist and along the same
23 lines We use the
24 term you may find your car in a parking
25 lot and asking you if you would
26 take X number of dollars for your car. If you're
27 interested see So-and-So Motors. So you get down there
28 because you realize yourself that they've put a pretty
29 damn good - pardon my French - price on the car. You
30 get down there and you find it just doesn't work out that



... came to my attention back home - and I
... from Colowater, Ontario. They have a man up there
... who's retired. He's not wealthy but he has, you know,
... comfortable means. He decided that he would accept the
... recommendation of one of these television ads - came
... toward the buyers - and you can buy so-and-so car for
... a good buy for this particular car which is new. He
... figured, well, probably it's a good time to deal my car
... in and I can just put my cheque book out and write a
... cheque and grab that car.

He goes down to these people - I think they
... were Park Motors - I'm not afraid to mention them - first
... what I'm told they were - and they said, "Oh, no, this
... is too finance; we don't do that for cash. You've got
... to go through the process of finance." To complete the
... story the man blew his top and he cursed and swore and
... he put his cheque book back in his pocket and went home.

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... is this: that there's a matter for this Committee -
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... lines
... term
... lot

... takes X number of dollars for your car. If you're
... interested see so-and-so Motors. So you get down there
... damn good - pardon my French - price on the car. You
... get down there and you find it just doesn't seem like



1 way.

2 MR. LETHERBY: Mr. Bowen, one other suggestion.

3 You, sir, in your position - and the Bureau undoubtedly
4 must have recommendations within your own that
5 you would like to see implemented, apart from what you
6 have recommended in this brief period to the Committee.
7 Have you any suggestions or recommendations that you
8 would like to make? Supposing you were sitting on this
9 Committee; what attitude would you - what do you think
10 should be one of their prime objectives to try and correct
11 this situation that is present?

12 MR. BOWEN: Perhaps from the opening paragraph
13 before I read it here - I would like to see some disclo-
14 sure for one thing, if it is reasonably possible to give
15 expression for people to understand there has to be

16 ; I realize that, and I so said in my breakdown
17 there, and I would like to see something, if it's
18 possible at all, in the preparation or the thought of
19 preparing an Act to be endorsed here, something that

20 the type of vendor that I've mentioned
21 and his practices in offering gimmicks, and also I've
22 mentioned here, too, that contracts of this nature you
23 would - I didn't say it in so many words in my brief but
24 I would say this: that the print is so small that they
25 should also supply a magnifying glass.

26 MR. LETHERBY: You would agree, sir, it should
27 be nothing less than 10-point type and no more whereases
28 used.

29 MR. BOWEN: I would agree that the small print
30 should be just large enough that it's readable, which it



way.

MR. THURMAN: Mr. Bowen, one other suggestion.

You, sir, in your position - and the Bureau undoubtedly

you would like to see implemented, apart from what you

have recommended in this brief period to the Committee.

Have you any suggestions or recommendations that you

would like to make? Supposing you were sitting on this

Committee; what attitude would you - what do you think

should be one of their prime objectives to try and connect

this situation with the present?

MR. BOWEN: Perhaps from the opening paragraph

before I read it here - I would like to see some dispo-

sition for one thing, if it is reasonably possible to give

expression for people to understand there has to be

: I realize what, and I so said in my previous

there, and I would like to see something, it is

possible at all, in the preparation on the subject of

preparing an Act to be endorsed here, something that

one type of report that I've mentioned

and has practices in offering principles, and also I've

mentioned here, and that contacts of this nature you

would - I don't say it is so many words in my mind as it

I would say that the point is so small that they

should also supply a meaningful plan

MR. THURMAN: You would agree, sir, it should

be nothing less than 10-point type and no more

MR. BOWEN: I would agree that the small print

should be just large enough that it's readable, which it



1 isn't today. That is true of most of these

2 MR. LETHERBY: The sales agreement or contract;
3 whatever you might choose to call it.

4 MR. LETHERBY: A contract of not over 100 words
5 brought in by,
6 you know, - you're probably right to
7 confuse people.

8 MR. BOWEN: If it was just 100 words it might
9 be simple to read it half-a-dozen times but there's a
10 lot more words involved.

11 MR. BUKATOR: Mr. Chairman, to pursue this
12 further -- they

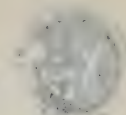
13 MR. BOWEN: They're companies that sell a
14 weaving machine with the understanding to the purchaser
15 that they'll buy the products that he produces on that
16 machine.

17 MR. BUKATOR: And then what is the next step
18 after that. Do they purchase or keep it - manufactured
19 on that machine?

20 MR. BOWEN: Well, they should be able to under-
21 stand that they will make purchases to the point that
22 it'll eventually pay for the full cost of the machine
23 plus whatever charges are involved and they may even make
24 more money than that. In other words,

25
26 But to me five guys have proven from the hundreds of
27 complaints that we've received that there have been, in
28 some instances, of the odd five here and there
29 when they first started up and entered into the contract.

30 In this particular case that I've referred to



isn't today. That is true of most of these

whatever you might choose to call it.

MR. LITTEBY: A contract of not over 100 words

brought in by

you know - you're probably right

MR. BOWEN: It is just 100 words it might

be simple to read it half-a-dozen times but there's a

lot more words involved.

Further --

MR. BOWEN: They're companies that sell a

sewing machine with the understanding to the customer

that they'll buy the products that he produces on that

machine.

MR. BOWEN: And then what is the next step

after that. Do they purchase or keep it - manufactured

on their machine?

MR. BOWEN: Well, they should be able to understand

stand that they will make purchases to the point that

it'll eventually pay for the full cost of the machine

plus whatever changes are involved and they may even make

more money than that. In other words,

But to me the guys have proven from the business of

companies that we've received that these have been in

some instances, of the odd five

when they first started up and covered into the contract

in this particular case some live referred to



1 in the knitting machine business this firm also tells
2 them, "You buy your wool from us," so there's another
3 little subsidiary plant that sells wool to these people.
4 They bought wool in good faith and they made these
5 garments and then when you read the small print the
6 customer - the consumer - had no chance at all because
7 they had to meet certain requirements which were in the
8 very small print such as it must be first quality - the
9 workmanship, et cetera. Well, very few people starting
10 out to use a new machine in particular may know all about
11 knitting but when they've got an automatic machine which
12 they've never seen before and attempt to make garments
13 it's not going to be perfect in 90% of the stuff they
14 may turn out, and they will just turn it back, "It
15 doesn't meet our specifications," and so on, and that's
16 all incorporated in the small print.

17 Never, at any time, explain to the buyer in
18 the original instance.

19 MR. SEDGWICK: Is this a fairly recent thing
20 or has it been going on for quite some time?

21 MR. BOWEN: No, this is not recent; this is
22 some years ago, as a matter of fact. But these are
23 things that crop up. In our experience you may think
24 something is good and it's been left and so on, and the
25 next moment it rears its ugly head again and we're into
26 it just as deeply as ever.

27 Anything that can be done through this Committee should
28 be done, so you can bear that into consideration.

29 MR. SEDGWICK: Mr. Bowen, in your opinion
30 would it be if every article had a cash



in the knitting machine business this firm also tells
them, "You buy your wool from us," and there's another
little subsidiary plant that sells wool to these people.
They bought wool in good faith and they made these
garments and then when you read the small print the
caption - the consumer - had no money at all because
they had to make certain payments which were in the
very small print such as it would be about quality - the
workmanship, et cetera. Well, now the people standing
out to me a new machine in particular say they will stop
knitting but when they've got an automatic machine which
they've never seen before and attempt to make garments
this not only to be perfect in 99% of the cases but
they turn out, and they will just turn it over, it
doesn't meet our specifications, and so on, and this
is incorporated in the small print.
Every at any time, explain to the buyer in
the original contract.
MR. BROWN: Is this a fairly recent thing
or has it been going on for quite some time?
MR. BROWN: No, this is not recent. This is
some years ago, as a matter of fact, but there are
things that only go in the operation of the machine
something is good and there have been some bad ones, and the
next moment it means the only way you can get into
it just as easily as ever.
MR. BROWN: Now, Brown, in your opinion
would it be



1 price? so that you could compare that price with the
2 price which you paid on instalments? Some articles are
3 ~~only~~ sold that way by instalments.

4 MR. BOWEN: That is true. I agree with you,
5 Mr. Sedgwick, and I do believe in the first instance
6 they should have a cash price. There is at least one
7 chance of making some comparison ---

8 MR. SEDGWICK: Whether to pay \$100 cash or
9 \$150 or he must at least know what credit is costing him.

10 MR. BOWEN: Right. Which, of course, ties in,
11 too, then, with the disclosure of what the costs over
12 and above the cost of the machine itself is.

13 MR. SEDGWICK: I had that in mind. That
14 disclosure - you use the cash price - the price of credit
15 would be apparent as being the difference between the
16 price you will pay over the period and the price which
17 you would pay if you paid cash.

18 MR. BOWEN: I certainly don't believe - in
19 some 20-30 years - I certainly don't believe that
20 government on any level can be prepared to set up suffi-
21 cient red tape to take care of all the gullible people
22 that exist in this world. That is for sure; so that
23 anything that can be done in a simplified way is
24 brightening. Other situations which are widespread
25 something should be done.

26 MR. MacDONALD: Mr. Chairman, some companies
27 definitely do not want to sell for cash; they want to
28 sell it on a financed basis. How widespread has this
29 become - I suspect your experience might ---

30 MR. BOWEN: I don't know, Mr. MacDonald. I



1. I am not sure that you have been very successful in your efforts.

2. I am not sure that you have been very successful in your efforts.

3. I am not sure that you have been very successful in your efforts.

4. I am not sure that you have been very successful in your efforts.

5. I am not sure that you have been very successful in your efforts.

6. I am not sure that you have been very successful in your efforts.

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18. I am not sure that you have been very successful in your efforts.

19. I am not sure that you have been very successful in your efforts.

20. I am not sure that you have been very successful in your efforts.

21. I am not sure that you have been very successful in your efforts.

22. I am not sure that you have been very successful in your efforts.

23. I am not sure that you have been very successful in your efforts.

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26. I am not sure that you have been very successful in your efforts.

27. I am not sure that you have been very successful in your efforts.

28. I am not sure that you have been very successful in your efforts.

29. I am not sure that you have been very successful in your efforts.

30. I am not sure that you have been very successful in your efforts.



1 really believe that you probably can answer that just as
2 well as I can - that there are lots of companies today
3 selling merchandise in the higher price bracket, an
4 appliance of some description, that are far more interested
5 in having you buy on an instalment basis rather than pay
6 cash. You go in with the cash in your hand, they just
7 don't like to look at you in many instances.

8 MR. MacDONALD: Is this a legitimate area for
9 government action?

10 MR. BOWEN: That I wouldn't be prepared to
11 answer. I don't know what the ramifications ---

12 MR. MacDONALD: I realize this. I'm just trying
13 to develop my own thinking.

14 MR. BOWEN: I do feel that this Committee was
15 brought about because of public reaction which has been
16 directed to you gentlemen who are Members of Parliament.
17 I'm quite sure that's the reason for a Committee like
18 this being brought together.

19 MR. MacDONALD: Isn't the net result of this
20 procedure that a retailer sometimes puts an artificially
21 low price on a product to - almost a loss-leader, if you
22 will - to draw the purchaser in, the consumer in, knowing
23 and intending, fully intending, that he's going to make
24 most of his profit on the financing?

25 MR. BOWEN: That's just exactly right; in the
26 reverse to the question Mr. - the point Mr. Letherby
27 raised there and which I answered pertaining to the car,
28 which was on a reverse angle - they were offering a high
29 price for his car having no intention of ever being able
30 to pay the man that price. So that the same applies



1 really believe that the Government will support this bill as
2 well as I can - that there are lots of companies ready
3 selling merchandise in the private office market, and
4 appearance of some description, that are the more in evidence
5 in having you pay on an individual basis rather than pay
6 cash. You go in with the cash in your hand, they just
7 don't like to have it you in many instances.
8 Mr. [Name] is also a legislator and has
9 Government [Name]
10 Mr. [Name] that I would like to propose to
11 [Name]
12 Mr. [Name] I realize that I'm [Name]
13 to develop my own industry.
14 Mr. [Name] I do feel that this [Name]
15 through about [Name] of public [Name] which has been
16 [Name] to you [Name] and [Name] of [Name]
17 [Name] [Name] [Name] [Name] [Name]
18 this being [Name]
19 Mr. [Name] [Name] [Name] of this
20 [Name] [Name] [Name] [Name] [Name]
21 [Name] [Name] [Name] [Name] [Name]
22 [Name] [Name] [Name] [Name] [Name]
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34 [Name] [Name] [Name] [Name] [Name]
35 [Name] [Name] [Name] [Name] [Name]



1 when you say they put a low price down, they are not
2 interested in you paying cash. No, they want you to
3 buy ---

4 MR. MacDONALD: The low prices are just
5 sucker-bait.

6 MR. BOWEN: ---- they want you to buy on an
7 instalment basis.

8 MR. MacDONALD: Keep them coming back, I
9 suppose.

10 MR. BELANGER: Mr. Chairman, I wonder if
11 I could ask this question, just to show my own ignorance.
12 Are there any regulations at all in any Act, with regard
13 to restrictions on a retailer getting into financing
14 or is this wide open?

15 THE CHAIRMAN: I don't know of any. I
16 think it is perfectly legitimate for a retailer to do his
17 own financing if he is well enough off. He doesn't
18 have to discount his paper. I rather think that the
19 bigger firms do. I don't know. I think Simpson-Sears
20 do their own financing.

21 MR. MacDONALD: By the same token --- the
22 retailer --- he has got the merchandise, and he can say
23 I can offer it the way I want to offer it, whether it
24 be cash or whether it ----

25 MR. BOWEN: I think so. The old town
26 grocer used to give credit, and I suppose the retailer
27 could if his finances were sufficient to state his own
28 figures.

29 MR. BELANGER: Well, you opened up a whole
30 area there. I don't know what its ramifications are.



When you say they put a low price down, they are not
interested in your buying coal. No, they want to

MR. BOWEN: -- they want to put in a

MR. BOWEN: Keep them out of it, I

MR. BOWEN: Mr. Chairman, I think

I could ask this question, just to show my own ignorance.
Are there any negotiations at all in any field with regard
to negotiations on a matter relating to the
on in this way?

THE CHAIRMAN: I don't know of any. I

think it is perfectly legitimate for a negotiator to go his
own way. It is well enough off. He doesn't
have to discuss his paper. I would think that the
higher than do. I don't know. I think it is perfectly
do their own thing.

MR. BOWEN: The same thing --

negotiation -- he has got the negotiation, and he can say
I can offer in this way. I want to offer in this way.
no such or other --

MR. BOWEN: I don't know. I don't

know what is going on, and I suppose the negotiator
could in his former work sell and do other things.

MR. BOWEN: Well, you know of a whole

area there. I don't know what the negotiations are.



1 MR. MacDONALD: There is one other general
2 question, Mr. Bowen, that I would like to ask you. To
3 begin, I think your far-ranging experience in the Bureau
4 might be ----. We have had the suggestion put to the
5 Committee a number of times that it is just too
6 complicated to state, not only is it full disclosure
7 but it is so complicated you can't make a disclosure
8 in a comprehensible way, and certainly, it is too
9 complicated to be able to state the annual interest
10 rate or to calculate an annual interest rate.

11 Now, I must say that my disposition is to
12 say that if this is the case, then we might as well fold
13 up pretty soon in this Committee.

14 In your experience do you think that this
15 is an insurmountable difficulty or is it possible for --

16 MR. BOWEN: I don't think, Mr. MacDonald,
17 insofar as I believe --- I did mention Manitoba has
18 been successful in bringing in some --- I don't know
19 the full terms or the terminology of this Act itself.
20 I believe Alberta also has a similar Act under consider-
21 ation, and perhaps, the Province of Nova Scotia.

22 Now, to answer your question, perhaps a
23 little more specifically. I think I should direct you
24 to the fact that I believe that are presently about
25 nine bills before the Federal House in relation to this
26 same subject. But more specifically the bill before
27 the Senate which Senator Croll has been attempting for
28 at least five years to put it through, and I say this,
29 as my own opinion, unfortunately, he hasn't been able
30 to do so. So that there are definitely are other



MR. McDONALD. There is one other general question, Mr. Bowen, that I would like to ask you. To begin, I think your far-reaching experience in the Bureau might be ----. We have had the suggestion put to the Committee a number of times that it is just too complicated to state, not only as it full disclosure but it is so complicated you can't make a disclosure in a comprehensible way, and certainly, it is too complicated to be able to state the actual interest rate or to calculate an annual interest rate. Now, I mean say that my disposition is to say that if this is the case, then we might as well fold up pretty soon in this Committee.

In your experience do you think that this is an insurmountable difficulty or is it possible for -- MR. BOWEN: I don't think, Mr. McDonald, insurmountable as I believe -- I don't think Manitoba has even necessary in principle in some -- I don't know the full terms or the terminology of this for itself. I believe Alberta also has a similar but under consideration, and perhaps, the Province of New Brunswick. Now, to answer your question, perhaps a little more specifically. I think I should direct you to the fact that I believe that are presently about nine bills before the Federal House in relation to this same subject. But more specifically the bill before the Senate which Senator Groll has been introducing for at least five years to put in through, and I am, this as my own opinion, unfortunately, he hasn't been able to do so. So that there are definitely one other



1 influences involved.

2 MR. BOWEN: Mr. Chairman, without getting
3 into any involved discussion of this matter, in answer
4 to Mr. MacDonald's question, I don't think that it is
5 proper except in degrees to say it is impossible to
6 calculate the effective rate of interest. If the terms
7 of reference of a calculation are given two identical
8 different people, they should come out with an identical
9 answer. It is true that the exact calculation of a
10 rate of interest on an instalment programme is an
11 involved mathematical calculation. It can be done, and
12 in my opinion, there are short cuts --- approximate
13 formulas which would tell you whether the rate was 40
14 per cent rather than 45 percent, or 35 per cent, as
15 opposed to 19 per cent or 20 per cent. So that
16 certainly it is fairly easy if approximate formulas
17 are available which can tell you the range of these
18 differences.

19 THE CHAIRMAN: Isn't the range narrower than
20 that, Mr. Irwin, narrower than 35 to 45? Wouldn't it
21 be one per cent on either side.

22 MR. BOWEN: It depends on which formula
23 you are using, of course. It can be done by simple
24 formula within one or two per cent.

25 MR. MacDONALD: Well, one starts with the
26 premise that you want to keep it within the range of
27 one. It seems to me our objective is getting a simple
28 formula.

29 THE CHAIRMAN: Any questions? Do you have
30 any questions?



MR. BROWN: Mr. Chairman, without realizing
into any involved discussion of this matter, in answer
to Mr. Macdonald's question, I don't think that it is
proper except in degree to say it is impossible to
calculate the effective rate of interest. If the formula
of reference of a calculation are given the identical
different people, they should come out with an identical
answer. It is true that the exact calculation of a
rate of interest on an installment programme is an
involved mathematical calculation. It can be done, and
in my opinion, there are about two -- approximations
formulas which would tell you whether the rate was 10
per cent rather than 15 per cent, or 15 per cent, or
opposed to 18 per cent or 20 per cent. In fact
certainly it is fairly easy to approximate formulas
the available which would tell you the range of these
differences.

THE CHAIRMAN: Now the range narrow down
then, Mr. Brown, narrow down to 15, 18, 20, 25, 30,
or one per cent on either side.

MR. BROWN: It is hard to give a formula
You are talking of course, it can be done by the
formula within one or two per cent.

MR. MACDONALD: Well, one formula with the
promise that you want to keep it within the range of
one. It seems to me our objective is finding a simple
formula.

THE CHAIRMAN: Any questions? Do you have
any questions?



1 MR. BELANGER: Well, I was just going to
2 ask this. In connection with your work what is the
3 biggest complaint that you receive from people that you
4 get at the Bureau.

5 MR. BOWEN: I couldn't catch the first part
6 of your question.

7 MR. BELANGER: What is the greatest complaint
8 that you get from people, you know, that come to you,
9 come to your office, with problems.

10 MR. BOWEN: The greatest complaint? You
11 mean the nature of the complaints?

12 MR. BELANGER: Yes.

13 MR. BOWEN: It is rather difficult for me
14 to tell you because, I will say this, we spread our
15 complaints in classifications numbering 44 various
16 classifications. For the past two years the heaviest
17 classification as far as complaints have been concerned
18 is in the home improvement field. That covers every-
19 thing from somebody coming around to pave your driveway
20 or putting siding on your house, or a new chimney on
21 your roof, or a new roof on your house. This is the
22 greatest area of complain that we have encountered over
23 the past few years.

24 Now, I will be perfectly frank, too. It is
25 also the biggest classification of the cause of
26 complaint in all our Bureaux across the United States
27 as well as Canada, and a good deal of those complaints
28 are coming back to this referral selling that I am
29 telling about. Most of the people hit by this are
30 people who can ill afford to spend anywhere from two



MR. BELANGER: Well, I was just going to ask this. In connection with your work what is the biggest complaint that you receive from people that you get at the Bureau.

MR. BOWEN: I couldn't catch the first part of your question.

MR. BELANGER: What is the greatest complaint that you get from people, you know, that come to you, come to your office, with problems.

MR. BOWEN: The greatest complaint, you mean the nature of the complaint?

MR. BELANGER: Yes.

MR. BOWEN: It is rather difficult for me to tell you because, I will say this, we spend our complaint in class actions handling the various classifications. For the past two years the classification as far as complaints have been concerned is in the home improvement field. That covers everything from somebody coming around to have your driveway or putting siding on your house or a new driveway or your roof, or a new door or something like that. The greatest area of complaint that we have encountered over the past two years.

Now, I will be particularly frank. It is also the biggest classification of the cases of complaint in all our Bureau cases. The United States as well as Canada, and I don't want to say complaining are coming back to this national claim that I am telling about. Most of the people who are this and people who can't afford to spend money from two



1 thousand to five thousand dollars to have their house,
2 renovated, new siding put on it, new roof, and so on,
3 and a sign put up in the front, this house is open for
4 inspection. The person is told, now the number of sales
5 that we may make off this through your own efforts and
6 ours perhaps, but through your own efforts particular
7 because of this sign that you will get back X-number
8 of dollars commission, and that is the big area of
9 complaint today.

10 As far as referral selling is concerned, it
11 does happen to come in within the field of complaints
12 that you asked me to mention.

13 MR. BELANGER: I was wondering, Mr. Chairman,
14 if Mr. Bowen would tell us his experience and if there
15 many other organizations selling products similar
16 to the knitting machine --- in a similar way to the
17 knitting machine that he referred to.

18 MR. BOWEN: Not at the present time, no.
19 But on the other hand, in addition, it could come under
20 referral selling, it might also come under some other
21 meaning, is that of the vacuum cleaners and this type
22 of appliances are being sold under the same idea as the
23 buy-backs, or at least, recommendations of your friends
24 and so on. Actually on the buy-back field there isn't
25 anything currently in the Toronto area that I can lay
26 my finger on, but I can't say it couldn't be true of
27 other areas.

28 MR. MacDONALD: How about the encyclopaedia
29 field where you are presumably the person whose name
30 they want so that they can sell it to everybody else



thousand to five thousand dollars to have their house
renovated, new siding put on it, new roof, and so on,
and a sign put up in the front, this house is open for
inspection. The person is told, now the window is white
that we may make all this through your own efforts and
your savings, but through your own efforts and savings
because of this sign (and you will get back X-number
of dollars commission, and that is the big part of
complaint today.

As far as referral selling is concerned, it
does happen to come in within the field of complaint
that you asked me to mention.

MR. BELMONT: I was wondering, Mr. Chairman,
if Mr. Bowen would tell us his experience and if there
many other organizations selling products similar
to the knitting machine --- in a similar way to the
knitting machine that he referred to.

MR. BOWEN: Not in the present time, no.
But on the other hand, in the past, it could come under
referral selling, it might also come under some other
selling, is that of the vacuum cleaners and that type
of appliances are being sold under the same idea as the
pay books, or at least, recommendations of your friends
and so on. Actually on the pay-book level there isn't
anything particularly in the forefront, and I can't
say for sure, but I can't say it couldn't be.

MR. BELMONT: Now about the organizations
field where you are primarily the person who is
they want so that they can sell it to everybody else.



1 that knows you?

2 MR. BOWEN: That is, Mr. MacDonald --- I
3 would say have been improved considerably within the
4 last ---- They used to use the Department of Education
5 and so on --- we represent the Department of Education
6 in the sale of these books and so on. That is not ---
7 I would say that field was fairly well cleaned up in
8 that respect. You still have the boy that goes around
9 selling magazines and so on, working his way through
10 college and what-not, but not to as great a degree as
11 it used to be. And I think, of course, I have to speak
12 of Metro Toronto, and I like to feel that in the years
13 that we have been here that we have done a lot to clean
14 up this situation in this area.

15 MR. Mr. Bowen, we all know
16 that is a widespread practice at the present time for
17 many firms in order to promote sales, to advertise
18 that no down payment --- over three years to pay ---
19 it gets on to September --- don't pay anything until
20 next year. Now, every gimmick known to promote sales.

21 Now, we had a brief presented to this
22 Committee here some time ago by the Consumers'
23 Association of Canada, and the lady who presented that
24 brief was most definite in your opinion that nobody
25 should be permitted to purchase any article on that
26 basis, unless they could pay at least 10 per cent down.
27 They were over their ears and over their heads, and
28 they should be out of this for now.

29 Now, I was wondering, sir, if you had any
30 personal views on that --- or your Bureau?



1911

MR. JONES: There is, Mr. Thompson -- I

would say have been improved considerably within the

last ---- They used to use the Department of Education

and so on -- we represent the Department of Education

in the sale of these books and so on. That is not --

I would say that this was fairly well cleaned up in

that respect. You still have the boy that goes around

selling magazines and so on, wearing the way through

college and what not, but not to as great a degree as

it used to be. And I think, of course, I have to speak

of Metro Toronto, and I like to feel that in the years

that we have been here that we have done a lot to clean

up this situation in this area.

Mr. Jones, we all know

that is a widespread practice at the present time for

many firms to order to promote sales to advertise

that no down payment -- over three years to pay --

it goes on to September -- don't pay anything until

next year. Now, every firm that does this is selling

Now, we had a letter presented to this

Committee from some time ago by the Commission

Association of Canada and the Lady and suggested that

there was not dealing in your position that nobody

should be permitted to purchase on credit on that

basis, unless they could pay at least 50 per cent down.

They were over their ears and over their heads, and

they should be out of this for good.

Now, I was wondering, sir, if you had any

personal views on that -- or your Bureau?



1 MR. BOWEN: I think Mr. MacDonald raised
2 that point just a few minutes ago, about whether they
3 be interested in cash or do they definitely want you to
4 buy on the instalment basis.

5 MR. MacDONALD: Yes, but I wanted to pin
6 down that first payment, at least, 10 per cent.

7 MR. BOWEN: Did this come from the Consumers'
8 Association?

9 MR. MacDONALD: Yes.

10 MR. BOWEN: I would agree with anything
11 where they would suggest a good size down payment should
12 be made.

13 MR. BELANGER: 10 per cent is what they
14 maintain.

15 MR. BOWEN: I certainly would like to see
16 a substantial amount paid.

17 MR. LETHERBY: I think it is rather
18 ridiculous, the article I quoted here. A fellow turns
19 in a car. He gets \$1,100.00 trade-in value for it and
20 the dealer takes it knowing that the fellow still owes
21 \$850.00 on the car after a year or two years that he
22 owned it, he has only paid off \$250.00. He is a damn
23 fool risk in the beginning, and they still take him
24 because God knows what the interest rates may be that
25 the poor fellow is going to have to pay. He has
26 assumed a further obligation now of \$1,977.00 with no
27 mention of interest charges or carrying charges. Where
28 is he? He is going to be in debt for the rest of his
29 life.

30 MR. BOWEN: You mentioned something, sir,



MR. BOWEN: I think Mr. Macdonald's refusal

to be interested in cash or do they definitely want you to
buy on the installment basis.

MR. MacDONALD: Yes, but I wanted to pay

down the first payment, at least, 10 per cent.

MR. BOWEN: But this comes from the company's

MR. MacDONALD: Yes.

MR. BOWEN: I would agree with anything

where they would suggest a good 10 per cent payment should
be made.

MR. BELMONT: 10 per cent is what they

MR. BOWEN: I certainly would like to see

a substantial amount paid.

MR. BELMONT: I think it is better

ridiculous, the article I quoted here. A fellow turned
in a car. He gets \$1,100.00 trade-in value for it and

the dealer takes it knowing that the fellow still owes
\$650.00 on the car after a year or two years that he

owned it. He has only paid off \$450.00. He is a damn
good risk in the beginning, and they still take him

because God knows what the interest rates may be that
one poor fellow is going to have to pay. He has

assumed a farmer's obligation now of \$1,375.00 with no
mention of interest charges or carrying charges. There

is he? He is going to be in debt for the rest of his



1 there a few moments ago too which probably whizzed by
2 me and that was that if one were to default on his
3 payments probably they had paid on this particular
4 purchase, to the extent of 40 per cent and then they,
5 oh, didn't bother to continue their payments. Then
6 they can sue him for the entire amount, take back the --

7 I think the reference ---
8 maybe what you are referring to is my comment on the
9 fact that where the finance company, where actually
10 they sign a contract which is immediately in the hands
11 of the finance company. The finance company is only
12 going to demand the payments that are due to them.
13 They are not going to, of course, I wouldn't hope to
14 collect or attempt to collect the moneys that already
15 might have been paid in the beginning, or one or two
16 payments might have been made in instalment payments.

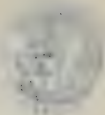
17 MR. LETHERBY: What about that, in come
18 cases, particularly in relation to cars, there is a
19 sneaky last payment, you know, it sneaks up on you.

20 MR. BOWEN: It ballons, a great amount.

21 MR. LETHERBY: Yes.

22 MR. BOWEN: I don't think that a great
23 many car purchasers don't realize that the big fellow
24 is going to hit him between the eyes at the last minute.

25 Now as I said a moment ago,
26 sir, I think I directed my remarks to the Chairman, you
27 can't set up red tape to take care of all the people.
28 If they don't read and understand to some degree the
29 papers they sign, then it is impossible to do too much
30 for them.



there a few moments ago and which probably followed by
me and that was that if one were to actually on the
evidence probably they had paid on this particular
purchase, to the extent of 10 per cent and then when
they didn't bother to continue their payments, then
they can see him for the entire amount, take the --
I think the statement --

maybe what you are referring to is an estimate in the
fact that where the finance company, where actually
they start a contract which is immediately in the hands
of the finance company. The finance company is going
going to demand the payments that are due to them.
They are not going to, of course, I would like to be in
contact or attempt to relate to the money that already
might have been paid in the payment of one or two
payments, but the statement is that they are not

MR. WATKINS: What all of that, or some
cases, particularly in relation to cases, there is a
theory that payments, you know, it should be on your
MR. BOWEN: In relation to that, a good

MR. WATKINS: Yes
MR. BOWEN: I think there is a question
when our business is really making the -- only follow
is going to be paid between the two of the first thing,
how do I really understand the
sit, I think I discussed my remarks to the Chairman, you
can't set up and take to him, and if you do, the
If they don't read and understand the law, then it
perhaps they sign, then it is impossible to do the work
for them.



1 THE CHAIRMAN: Mr. Irwin, I believe, has
2 another question.

3 MR. IRWIN: Mr. Chairman, I really directed
4 this to Mr. Sedgwick. Where you said, sir, that you
5 might require this cash price stated so that it could be
6 compared with the credit price.

7 Supposing there were some regulations to this
8 effect so that it would be mandatory that the vendor be
9 obliged to sell at cash price.

10 MR. SEDGWICK: I would think so, yes. I
11 think so. It would make the retailers instead of the
12 finance companys

13
14
15
16 THE CHAIRMAN: Any other questions?

17 We appreciate very much you being with us
18 today, Mr. Bowen.

19 MR. BOWEN: Thank you, sir.

20 THE CHAIRMAN: Your brief has been very
21 valuable and an interesting contribution. And we are
22 very grateful also to the Better Business Bureau of
23 Metropolitan Toronto for being with us here today.

24 We also have with us today Mr. Ed Rosenberg
25 of the Northern Loan Company. Mr. Rosenberg was to be
26 here tomorrow and we called him this morning and asked
27 him if he could be here today because it suited the
28 convenience of the Committee to have him here as we
29 were counting on having a few more people here today who
30 weren't able to come. So now I ask Mr. Rosenberg if he



THE CHAIRMAN: Mr. Taylor, I believe, has

MR. TAYLOR: Mr. Chairman, I recall, I think, that you
this to Mr. Sedgwick. Where you said, sir, that you
might require this cash price added so that it could be

Supposing there were some regulations to this
effect as that it would be mandatory that the vendor be
obliged to sell at cash price.

MR. SEDGWICK: I would think so, yes, I
think so. It would make the vendor's position of the
finance company

THE CHAIRMAN: Any other questions?
We appreciate very much your being with us

MR. BOWEN: Thank you, sir.
THE CHAIRMAN: Your visit has been very
valuable and an interesting contribution. And we are
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here tomorrow and we called him this morning and asked
him if he could be here today because it suited the
convenience of the Committee to have him here as we
were counting on having a few more people here today who
weren't able to come. So now I ask Mr. Rosenberg if he



1 will come up. I believe he has an oral presentation to
2 make to the Committee at this time.

3 Go ahead Mr. Rosenberg whenever you are
4 ready.

5 MR. ROSENBERG: Now, I must say our P.A.
6 system is not working as well as it should be, so if
7 any of the Committee members are speaking or any of the
8 people appearing are speaking, I ask you to speak up
9 in order that we can pick this up on the tape. We have
10 had a little bit of trouble in the past and I thought I
11 should mention that to you.

12 Proceed, Mr. Rosenberg.

13 MR. ROSENBERG: What would you like me to
14 discuss?

15 THE CHAIRMAN: Pardon?

16 MR. ROSENBERG: What would you like me to
17 discuss?

18 THE CHAIRMAN: I understand that you had
19 an oral brief to present to this Committee and rather
20 than a written brief, that you would read to the
21 Committee, so we would be pleased if you would just go
22 ahead and present your presentation.

23 MR. ROSENBERG: The majority ---

24 THE CHAIRMAN: Will you speak up please?

25 MR. ROSENBERG: The majority of the public
26 involved in bad mortgage transactions are ones that
27 whereby the monthly commitments are extremely
28 high. Some examples are Mr. and Mrs. Smith or John Doe
29 with two school age children living on 16th Street
30 with an average income of \$240.00 a month. Now this ---

will come up. I believe he has an oral presentation to
make to the Committee at this time.

He ahead Mr. Rosenberg whenever you are

Now, I want say one thing.

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any of the Committee members are speaking or any of the
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in order that we can pick this up on the tape. We have
had a little bit of trouble in the past and I thought I
should mention that to you.

MR. ROSENBERG: What would you like me to

discuss?

THE CHAIRMAN: Please.

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than a written brief that you would read to the

Committee, so we would be pleased if you would just go

ahead and present your presentation.

MR. ROSENBERG: The majority --

THE CHAIRMAN: Will you speak up please?

MR. ROSENBERG: The majority of the public

involved in bad mortgage transactions are ones that

whereby the monthly commitments are extremely

high. Some examples are Mr. and Mrs. Smith or John Doe

with two school age children living on 10th Street

with an average income of \$40.00 a month. Now this --



1 THE CHAIRMAN: Will you speak a little louder
2 please. It is very difficult to hear you.

3 MR. ROSENBERG: The usual situation, people
4 borrowing under those conditions are generally involved
5 with finance account, freezer account, finance account,
6 department store accounts. For example, finance account
7 that they may hold in the amount of about \$1,500.00 in
8 which case they deposit came to \$69.00 per month. In
9 connection with the freezer account, in this case they
10 would be roughly paying \$25.00 per month totally
11 approximately \$350.00. And they also owe in personal
12 finance, small loans of about \$900.00, in which case
13 these people may be paying about \$31.00 a month. And
14 likewise they also have a department store budget
15 account in the amount of about \$500.00 in which case
16 they would be paying about \$20.00 a month for thirty
17 months.

18 Now, if we clear all those debts up it
19 would come to approximately \$3250.00 in which case they
20 would be paying roughly \$135.00 a month.

21 In view of their income which is \$340.00
22 a month and the fact that these people are obligated to
23 pay \$135.00 a month plus the first mortgage, the second
24 mortgage if any, their taxes, living expenses etcetera,
25 they are desperate people.

26 Now, what I suggest here is perhaps not a
27 cure-all but perhaps a means to remedy the harshness of
28 undue advantage that has been taken of these people.
29 You know that the mortgage brokers are not the only ones
30 taking advantage of these people but also intalment



THE CHAIRMAN: Will you speak a little longer

please. It is very difficult to hear you.

MR. ROBINSON: The usual situation, people

borrowing under those conditions are generally involved

with finance account, finance account, finance account,

department store accounts. For example, finance account

that they may hold in the amount of about \$1,500.00 in

which case they deposit some \$500.00 per month. In

connection with the finance account, in this case they

would be roughly paying \$25.00 per month totally

approximately \$150.00. And they also owe in personal

finance, small loans of about \$100.00 in which case

these people may be paying about \$11.00 a month. And

likewise they also have a department store finance

account in the amount of about \$200.00 in which case

they would be paying about \$20.00 a month for finance

months.

Now, if we clear all those debts up in

would come to approximately \$280.00 in which case they

would be paying roughly \$37.00 a month.

In view of their income which is \$250.00

a month and the fact that these people are obligated to

pay \$150.00 a month plus the first mortgage, the second

mortgage if any, their banks, living expenses etc.,

they are desperate people.

Now, what I suggest here is perhaps not a

come-all but perhaps a means to remedy the payment of

under advantage that has been taken of these people.

You know that the mortgage brokers are not the only ones

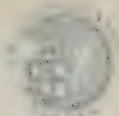
taking advantage of these people and also installment



1 finance companies, banks, acceptance companies --- they
2 are not different than mortgage brokers.

3 However, going back to this, as an example
4 etcetera, Mr. and Mrs. Smith are in touch with the
5 ABC Mortgage Brokers because they wish to consolidate
6 their debts and reduce their monthly payments. These
7 people are hard-pressed. The ABC Mortgage Brokers tell
8 Mr. and Mrs. Smith that they will give Mr. and Mrs.
9 Smith a second mortgage for four years at 12 per cent
10 payable \$75.00 monthly, principle and interest. In view
11 of the desperation of Mr. and Mrs. Smith ABC Mortgage
12 Brokers extract a \$1,500.00 bonus from Mr. and Mrs.
13 Smith because they need the money yesterday. We might
14 say yesterday because of the outstanding indebtedness
15 that these people are faced with, having to meet these
16 commitments every month, being hounded by bill collectors
17 and telephone calls, letters and so on.

18 However, the result is that Mr. and Mrs.
19 Smith owe as much at the end of the term as they did at
20 the start of the term. What has happened? They
21 naturally go for the deal not caring about the \$1,500.00
22 bonus that they will have to pay. The first thing and
23 the only thing that they are concerned with is their
24 monthly payment. They could see the monthly payment
25 reduced from \$155.00 a month down to \$75.00 a month.
26 This alone, this type of lending alone has a very strong
27 tendency of taking common sense away from the borrower's
28 mind and leading him through a foolish alley. The time
29 it hurts the most is right at the end of the full year
30 when they find out after reviewing all the monthly



finance companies, banks, insurance companies -- they are not different from mortgage brokers.

However, going back to this, as an example.

Mr. and Mrs. Smith are in town with the

ABC Mortgage Broker because they wish to consolidate

their debts and reduce their monthly payments. These

people are hard-pressed. The ABC Mortgage Broker tells

Mr. and Mrs. Smith that they will give Mr. and Mrs.

Smith a second mortgage for four years at 12 per cent

payable \$75.00 monthly, principle and interest. In view

of the desperation of Mr. and Mrs. Smith, ABC Mortgage

brokers extract a \$1,500.00 bonus from Mr. and Mrs.

Smith because they need the money yesterday. We might

say yesterday because of the contracting tuberculosis

that these people are faced with. Having to meet these

commitments every month, being bothered by bill collectors

and telephone calls, letters and so on.

However, the result is that Mr. and Mrs.

Smith owe as much at the end of the term as they did at

the start of the term. What are they getting?

Naturally go for the deal and coming about the \$1,500.00

bonus that they will have to pay. The first thing and

the only thing that they are concerned with is their

monthly payment. They would not see the monthly payment

reduced from \$157.00 a month down to \$127.00 a month.

This alone, this type of lending, is a very serious

concealment of taking common sense away from the borrower.

Kind and leading him through a fool's alley. The same

is found the next day at the end of the 10th year

when they find out what is happening all the while.



1 payments that these people have made, that they owe as
2 much then as they did at the start of the loan. So in
3 effect all that these people have paid if the \$1,500.00
4 bonus plus 12 per cent on \$1,500.00, just to receive
5 the three or four years of temporary relief.

6 Now, their growing payment at the end of
7 that term, in other words, they owe transfer payment
8 on the 80 or 90 percent of the transfer paid is
9 where the harshness and the unconscionability of this
10 situation arises.

11 Now also, one important thing too. In
12 view of the bonus and the short term of the mortgage,
13 the effective rate of interest is unconscionably high.
14 The shorter the term with the given bonus, the same
15 interest rate, the higher would be the effective rate
16 of interest.

17 In order to remedy the harshness and
18 unconscionability of the transaction, I would suggest
19 the following.

20 That all the mortgages to be fully amortized
21 over their term with no balances at the end of the term.
22 Not that all the mortgages could be at either ten,
23 fifteen or twenty year amortizations with the five year
24 term. And over this the mortgages going to be on a
25 five year term, then the payments must be made in
26 instalments where at the end of five years it is
27 automatically fully paid up.

28 The result would therefore be to fully pay
29 of a mortgage as outlined above, the terms under the
30 example as provided above would have to be spread out



payments that these people have made, that they owe as much then as they did at the start of the loan. So in effect all that these people have paid is the \$1,500.00 bonus plus 12 per cent on \$1,500.00, just to receive the three or four years of temporary relief.

Now, their growing payment at the end of that term, in other words, they owe further payment on the 80 or 90 per cent of the transfer paid in where the hardship and the unreasonableness of this

Now also, one important thing too, in view of the bonus and the short term of the mortgage, the effective rate of interest is unreasonably high. The shorter the term with the given bonus, the same interest rate, the higher would be the effective rate of interest.

In order to remedy the hardship and unreasonableness of the transaction, I would suggest

That all the mortgages to be fully amortized over their term with no balance at the end of the term. Not that all the mortgages could be at other than fifteen or twenty year amortizations with the five year term. And over this one mortgage could be on a five year term, then the payment must be made in instalments where at the end of five years it is automatically fully paid up.

The result would therefore be to fully pay off a mortgage as outlined above, the same under the example as provided above would have to be agreed on



1 on a much longer term, perhaps seven years in order to
2 maintain the same monthly payments. In other words, for
3 the borrower to borrow \$3,000.00 plus the \$1,500.00
4 bonus, say \$4,500.00, a payment of \$75.00 a month, the
5 mortgage will have to be amortized for a seven and a
6 half year period instead of the four year period. The
7 result being that automatically it reduced the effective
8 rate of interest. And at the same time it helps to
9 remedy the big balloon balances that borrowers can be
10 faced with especially with the harshness and the
11 unconscionability that goes along with that type of
12 contract.

13 Now in view of the situation Mr. Smith has
14 studied the offer for her by ABC Mortgage Brokers and
15 studied the offer under what I have suggested, she would
16 take into consideration the four year term of the
17 mortgage and the \$1,500.00 bonus that would have to be
18 paid as compared to the present situation of three years
19 in spite of the fact that her mounting payments in her
20 present position is only \$155.00

21 What I mean by that is this: in order for
22 an investor to reach a quick profit and loss in that
23 short term, the monthly payments would have to be
24 excessively high in order to fully recover that trans-
25 action in four years. \$4,500.00, for example, in a
26 four year period, three year period rather, four years
27 is \$117.87 a month. So she looks at her present situa-
28 tion --- why I am paying \$155.00 a month right now, is
29 there any advantage for me going ahead and consolidate
30 and only paying \$117.87 a month? So in order ---



on a much longer term, perhaps seven years in order to
maintain the same monthly payments. In other words, for
the borrower to borrow \$3,000.00 plus the \$1,500.00
bonus, say \$4,500.00, a payment of \$15.00 a month, the
mortgage will have to be amortized for a longer and a
half year period instead of the four year period. The
result being that automatically it reduces the effective
rate of interest. And at the same time it helps to
remedy the big balloon balance that borrowers can be
faced with especially with the business and the
unconscientiousness that goes along with that type of
contract.

Now in view of the situation Mr. Smith has
studied the offer for her by ABC Mortgage Brokers and
studied the offer under which I have suggested, and would
take into consideration the four year term of the
mortgage and the \$1,500.00 bonus that would have to be
paid as compared to the present situation of three years
in spite of the fact that her monthly payments in her
present position is only \$15.00.

What I mean by that is that in order for
an investor to receive a quick profit and lose in the
short term, the monthly payments would have to be
excessively high in order to fully recover their invest-
ment in four years. \$4,500.00, for example, in a
four year period, three year period, four years
is \$117.87 a month. So she looks at her present situa-
tion --- why I am paying \$15.00 a month right now, is
there any advantage for me doing ahead and considering
and only paying \$117.87 a month? So in order ---



1 so what she is going to want --- what she is going to
2 want a longer term for the lower payments which natur-
3 ally brings down the yield and the effective rate of
4 interest.

5 MR. REILLY: Mr. Chairman, when Mr.
6 Rosenberg was referring to some loan of \$3,250.00 and
7 being paid back over a base of \$150.00 a month, is this
8 an actual case you have in mind or is it hypothetical?

9 MR. ROSENBERG: Hypothetical.

10 MR. REILLY: What would the rate of interest,
11 the actual rate of interest be over a period of four
12 years on a \$1,500.00 bonus at 12 per cent versus the
13 \$1,500.00 bonus at 12 per cent over seven and a half?

14 MR. ROSENBERG: Would you repeat that
15 question again.

16 MR. REILLY: What would the actual rate of
17 interest in comparison of the two periods of time, one
18 at four years, one at seven and a half years? Both at
19 the same rate of interest of 12 per cent, both in the
20 same amount, \$3,000.00 plus \$1,500.00, a \$4,500.00 loan.

21 Wouldn't your payments in your book there
22 show that, Mr. Rosenberg?

23 MR. ROSENBERG: Now, this is a case at the
24 end of four years. Was any balance outstanding or not?

25 MR. REILLY: No. If you start with the
26 initial amount of \$3,000.00, you add \$1,500.00 bonus.

27 MR. ROSENBERG: Right.

28 MR. REILLY: So lend \$4,500.00 and you
29 lend it for a period of four years or you lend it for
30 a period of seven and a half years.



so what one is going to want -- and is going to want a longer term for the lower payments which naturally brings down the yield and the effective rate of interest.

Rosenberg was referring to some loan of \$3,500.00 a year being paid back over a term of \$100.00 a month, is that an actual case you have in mind or is it hypothetical?

MR. ROSENBERG: Hypothetical.

the actual rate of interest be over a period of four years on a \$1,500.00 bonus at 12 per cent would be \$1,500.00 bonus at 12 per cent over seven and a half years.

MR. ROSENBERG: Would you repeat that question again.

MR. WILLIAMS: What would be a typical rate of interest in comparison of the two periods of time, one at four years, one at seven and a half years, both at the same rate of interest of 12 per cent, both in the same amount, \$1,500.00 plus \$1,500.00 loan would be your payments in your book there.

MR. ROSENBERG: Show what, Mr. Rosenberg?

MR. ROSENBERG: Now, what is a case at the end of four years. Was any balance outstanding or not?

MR. WILLIAMS: No. If you remain with the initial amount of \$1,500.00, you add \$1,500.00 bonus.

MR. ROSENBERG: Right.

MR. WILLIAMS: So paid \$1,500.00 and you lend it for a period of four years or you lend it for a period of seven and a half years.



1 MR. ROSENBERG: It depends on the sum that
2 is amortized, because it saves three or four hundred
3 dollars no matter what the effective interest rate.

4 MR. REILLY: Well, normally in business
5 today you would lend money as the Northern Loan Company
6 would you not on a basis of four years. On that basis
7 would you not ---

8 MR. ROSENBERG: We do not do that type of
9 financing.

10 MR. MacDONALD: Mr. Chairman, may I ask Mr.
11 Rosenberg this. If a person is seeking to consolidate
12 his debts, amortizing them over a seven year period,
13 rather than a four year period, so he has a smaller
14 monthly payment, why is it necessary to have a \$1,500.00
15 bonus?

16 MR. ROSENBERG: This is a hypothetical case.
17 I think Mr. Smith verified there had been cases like
18 that in the past I believe at \$4,500.00 at 12 per cent.
19 This is not my case, this is just a hypothetical
20 example.

21 MR. LETHERBY: But Mr. Rosenberg, that is
22 common practice, isn't it, that bonus at \$1,500.00.

23 MR. ROSENBERG: Not common practice for my
24 company.

25 MR. LETHERBY: No, no, not for you, but I
26 mean it does exist.

27 MR. ROSENBERG: I have seen cases like that,
28 definitely.

29 THE CHAIRMAN: But you still haven't answered
30 Mr. Reilly's question.



MR. ROSENBERG: It depends on the rate that

is amortized, because it saves three or four hundred

dollars no matter what the effective interest rate.

MR. KELLY: Well, normally in business

today you would lend money at the Northern Bank Company

would you not on a basis of four years. On that basis

would you not ---

MR. ROSENBERG: We do not do that type of

financing.

MR. McDONALD: Mr. Chairman, may I ask Mr.

Rosenberg this. If a person is seeking to consolidate

his debts, amortizing them over a seven year period,

rather than a four year period, he has a smaller

monthly payment, why is it necessary to have a \$1,500.00

margin?

MR. ROSENBERG: This is a hypothetical case.

I think Mr. Smith verified there had been cases like

that in the past I believe at \$1,500.00 or 10 per cent.

This is not my case. This is just a hypothetical

example.

MR. LEWIS: For Mr. Rosenberg, that is

common practice, isn't it, that bonds at \$1,500.00

MR. ROSENBERG: Not common practice for the

company.

MR. LEWIS: No, not for you, but I

mean it does exist.

MR. ROSENBERG: I have been asked if it exists.

Yes, it does.

THE CHAIRMAN: But you still haven't answered

the question.



1 MR. ROSENBERG: Assume it is not amortized,
2 then I would say the rate of interest would run ---
3 30 per cent interest, 30 per cent on the four year term,
4 that is the minimum rate of interest rates --- seven
5 year term.

6 MR. REILLY: I didn't follow that remark,
7 sir.

8 MR. ROSENBERG: This is ---

9 MR. REILLY: Minimum annual ---

10 MR. ROSENBERG: --- interest rate. This is
11 30 per cent. In other words, there is a balloon balance.

12 MR. REILLY: I should say maximum.

13 MR. ROSENBERG: This is a balloon balance,
14 and this man is now making any monthly instalments, where
15 at the end of four years he is still going to owe
16 \$4,500.00. And if he is just going to pay his interest
17 just during the term of four years then the effective
18 rate of interest will become 30 per cent.

19 Based on the seven years ---- over the seven
20 years it become 25 per cent, because the fact is this
21 man the use of the money on a longer period, so the
22 bonus is naturally stretches out another three years
23 longer than would be otherwise in the four year term.
24 So naturally the bonus being the cost of the money,
25 which in some cases is presumed as as part of the
26 effective rate of interest. So actually it works out
27 to 25 per cent.

28 However, if the transaction is fully
29 amortized, then I would say the interest rate will be
30 substantially reduced.



then I would say the rate of interest would be 30 per cent interest, 30 per cent on the four year term, that is the minimum rate of interest rates --- answer

MR. ROSENBERG: That is ---
MR. REILLY: Minimum amount ---
MR. ROSENBERG: --- interest rates, that is

30 per cent. In other words, there is a balloon balance.
MR. REILLY: I should say minimum.
MR. ROSENBERG: That is a balloon balance,

and this man is now making any monthly installments, when at the end of four years he is still going to owe \$4,500.00. And if he is just going to pay his interest just during the term of four years when the effective rate of interest will become 30 per cent.

period on the seven years --- over the seven years it becomes 30 per cent, because the fact is this man the use of the money on a longer period, so the term is naturally stretched out another three years longer than would be otherwise in the four year term. So naturally the bonus being the cost of the money, which in some cases is paid as a part of the effective rate of interest. So actually it would add to 25 per cent.

However, if the transaction is fully amortized, then I would say the interest rate will be substantially reduced.



1 MR. SEDGWICK: Well, Mr. Chairman, Mr.
2 Rosenberg has suggested this would be a hypothetical
3 case. Would you want to tell the members of the
4 Committee what would be an actual case as far as this
5 company is concerned from the standpoint of a loan?

6 THE CHAIRMAN: Yes, certainly.

7 --- (Inaudible)

8 MR. ROSENBERG: When a borrower has
9 received \$2,045.00 --- this would be some reasonable
10 loan, that is right, yes.

11 A MEMBER: What was that -- \$2,045.00.

12 MR. ROSENBERG: \$2,045.00.

13 A MEMBER: Pardon.

14 A MEMBER: That is the amount the
15 borrower got?

16 MR. ROSENBERG: That is correct.

17 He repaid his mortgage so that \$2,500.00,
18 his fees were \$455.00. The man's payments became
19 \$55.25 a month for sixty months which is five years,
20 and at the end of five years there is no balance.

21 MR. LAWRENCE: I was wondering, Mr.
22 Rosenberg, he received \$2,045.00. Then took a mortgage
23 out for \$2,500.00.

24 MR. ROSENBERG: That is right.

25 MR. LAWRENCE: On top of that he paid the
26 \$455.00?

27 MR. ROSENBERG: No, no.

28 MR. LAWRENCE: Or included in the \$2,500.00

29 MR. ROSENBERG: No. It is a difference of--
30 fees of \$455.00 --- a difference between \$2,045.00 and



MR. ROSENBERG: Yes, sir.

ROSENBERG has suggested this would be a hypothetical

case. Would you want to tell the members of the

Committee what would be an actual case as far as the

company is concerned from the standpoint of a loan?

THE CHAIRMAN: Yes, sir.

(Continued)

MR. ROSENBERG: When a borrower has

received \$2,045.00 --- this would be some percentage

loan, that is right, yes.

A MEMBER: What was that -- \$2,045.00?

MR. ROSENBERG: Yes, sir.

A MEMBER: Pardon.

A MEMBER: That is the amount the

borrower gets?

MR. ROSENBERG: That is correct.

He repaid the mortgage so that \$2,000.00,

his fees were \$45.00. The man's payments became

\$52.25 a month for sixty months which is five years,

and at the end of five years there is no balance.

MR. LAWRENCE: I was wondering, Mr.

ROSENBERG, he received \$2,045.00. Then took a mortgage

out for \$2,100.00.

MR. ROSENBERG: That is right.

MR. LAWRENCE: On top of that he paid the

\$45.00?

MR. ROSENBERG: No, no.

MR. LAWRENCE: Or included in the \$2,100.00?

MR. ROSENBERG: No, it is a difference of --

less of \$45.00 --- a difference between \$2,045.00 and



1 \$2,500.00. This is the second mortgage.

2 MR. LAWRENCE: \$455.00, ---

3 MR. ROSENBERG: ---- 12 per cent.

4 The statement as worded does not call for the effective
5 rate of interest.

6 I am not taking about the
7 statement of mortgage now. I am talking about the
8 actual mortgage. What does the mortgage say the
9 interest rate is?

10 MR. ROSENBERG: 12 per cent.

11 MR. LAWRENCE: 12 per cent. Half yearly?

12 MR. ROSENBERG: That is right.

13 MR. LAWRENCE: Is this 12 per cent the
14 effective rate of interest?

15 MR. ROSENBERG: Well, from the mortgage,
16 the effective rate of interest works out to 21.2.

17 MR. LAWRENCE: Why put 12 per cent then?

18 MR. ROSENBERG: Because the mortgage calls
19 for 12 per cent.

20 MR. LAWRENCE: You say the mortgage calls
21 for 12 per cent so how could you possibly put on 21 and --

22 MR. MacDONALD: Would you favour regulations
23 that would in force full disclosure of the annual interest
24 rate?

25 MR. ROSENBERG: Definitely. I think
26 full disclosure should apply to all forms of money
27 lending, whatever nature.

28 MR. MacDONALD: Would you favour the
29 regulations should go a step further and the bonuses
30 should be included in the calculations?



\$2,500.00. This is the second mortgage.

MR. ROSENBERG: --- is per cent.

The statement as worded does not call for the effective

rate of interest.

I am not talking about the

statement of mortgage now. I am talking about the

actual mortgage. What does the mortgage say the

interest rate is?

MR. ROSENBERG: 12 per cent.

MR. LAWRENCE: 12 per cent. That's right?

MR. ROSENBERG: That is right.

MR. LAWRENCE: Is there 12 per cent the

effective rate of interest?

MR. ROSENBERG: Well, from the mortgage,

the effective rate of interest would be 21.2.

MR. LAWRENCE: Why not 12 per cent then?

MR. ROSENBERG: Because the mortgage calls

for 12 per cent.

MR. LAWRENCE: You say the mortgage calls

for 12 per cent so how could you possibly put on 21 and

MR. ROSENBERG: Would you favour legislation

that would in force full disclosure of the annual interest

rate?

MR. ROSENBERG: Absolutely. I think

full disclosure should apply to all forms of money

loans.

MR. MACKINNON: Would you favour the

legislation should be a step further and the mortgage

should be included in the calculation.



1 MR. ROSENBERG: In the calculation?---
2 certainly. But with the bonus you are faced with a
3 problem --- the bonus and the discount depends on the
4 transaction itself.

5 MR. LETHERBY: And it should be spelled out
6 whether the broker or the investor gets the bonus.
7 Great big block letters right on the market.

8 MR. ROSENBERG: Well, this is something I
9 am afraid in your opinion may appear quite difficult to
10 do, because in the mortgage broker industry a boy may
11 come into the office. Now, my fees can either be ---
12 for an example take my own case as an example ---
13 \$455.00 represents approximately \$405.00 as being the
14 commission and \$50.00 being the legal fees and disburse-
15 ments.

16 MR. REILLY: I glad you got that clear.

17 MR. LETHERBY: Now, Mr. Rosenberg, is it not
18 possible for a broker unknown to the investor --- the
19 man putting up the investment money to weasle a
20 thousand dollars and put it down his pants pocket fast?

21 MR. ROSENBERG: I don't know how if the
22 broker arranges the mortgage.

23 MR. LETHERBY: See, the broker arranges the
24 mortgage. He could take the mortgage out in his own
25 name and he advances the funds in his own name, and if
26 therefore takes the mortgage in his own name, he is
27 going to charge himself a bonus, which perhaps he might
28 not be entitled to, it depends on the circumstances.
29 And he can either assign or borrow against that mortgage
30 from the investor.



MR. ROSENBERG: In the calculation?---

certainly. But with the bonus you are faced with a problem --- the bonus and the discount depends on the

Investment?

MR. WINTERBURY: And it should be spelled out

whether the broker or the investor gets the bonus.

Great big black letters right on the warrant.

MR. ROSENBERG: Well, this is interesting.

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do, because in the mortgage broker industry a boy may

come into the office. Now, my fear can either be ---

for an example take my own case as an example ---

\$450.00 represents approximately \$400.00 in doing the

commission and \$50.00 doing the legal fees and disburse-

ment.

MR. REILLY: I glad you got that clear.

MR. WINTERBURY: Now, Mr. Rosenberg, is it not

possible for a broker unknown to the treasurer --- the

man putting up the investment money to receive a

thousand dollars and not if that his pocket book?

MR. ROSENBERG: I don't know how it is.

--- the mortgage broker?

MR. WINTERBURY: Yes, the broker receives the

mortgage. He could take the mortgage out in his own

name and he advances the loan in his own name, and if

therefore takes the mortgage in his own name, he is

going to charge himself a bonus, which certainly he might

not be entitled to, it depends on the circumstances.

And he can either accept or refuse to take that mortgage

from the investor.



1 MR. WHITE: From the standpoint of an
2 actual case, Mr. Rosenberg, this specific case where
3 a man received \$2,045.00, he takes out a mortgage for
4 \$2,500.00. He pays you a service fee for \$455.00. Is
5 this correct?

6 MR. ROSENBERG: That is correct.

7 MR. WHITE: Then he pays 12 per cent on
8 the \$2,500.00.

9 MR. ROSENBERG: That is right.

10 MR. WHITE: So that the \$455.00 represents
11 about 25 per cent fee that he pays out of the \$2,045.00
12 that he borrowed. So he pays about 25 per cent to
13 borrow the money, then he pays 12 per cent on the
14 mortgage, and this is customary. Is that what you are
15 telling this Committee?

16 MR. ROSENBERG: Yes, 12 per cent is addition-
17 al to the 25 per cent.

18 MR. WHITE: So out of the \$2,500.00 he only
19 gets \$2,000.00.

20 MR. ROSENBERG: The borrower receives
21 \$2,045.00.

22 MR. WHITE: And the fee is how much?

23 MR. ROSENBERG: \$455.00.

24 MR. WHITE: And that is over 20 per cent
25 of the mortgage ---

26 MR. ROSENBERG: Oh, on what he gets.

27 ---- (Inaudible)

28 MR. WHITE: Well now, Mr. Chairman, may I
29 get back to the suggestion this man has put before us
30 today, because it is one I have never heard before and



MR. WHITE: From the standpoint of an actual case, Mr. Rosenbergs, this specific case where a man received \$2,000.00, he takes out a mortgage for \$2,500.00. He pays you a service fee for \$250.00. Is that correct?

MR. ROSENBERG: That is correct.
MR. WHITE: Then he pays 12 per cent on the \$2,500.00.

MR. ROSENBERG: That is right.
MR. WHITE: So that the \$250.00 represents about 25 per cent fee that he pays out of the \$2,500.00 that he borrowed. So he pays about 25 per cent to borrow the money, then he pays 12 per cent on the mortgage, and that is unnecessary. Is that what you are saying?

MR. ROSENBERG: Yes, 12 per cent is additional to the 25 per cent.
MR. WHITE: So out of the \$2,500.00 he only gets \$2,000.00.

MR. WHITE: So that is over 20 per cent of the mortgage --

MR. WHITE: And the 12 per cent is on the \$2,000.00.
MR. WHITE: And that is over 20 per cent of the mortgage --
MR. ROSENBERG: Yes, or what the rate.

MR. WHITE: Well, now, Mr. Rosenbergs, why I get back to the question this man has paid before me today, because it is one I have never heard before and



1 it certainly has some interesting potential as far as
2 I am concerned. If your suggestion were implemented
3 by whichever government had that power there would be
4 no balloon payment would there?

5 MR. ROSENBERG: No, sir.

6 MR. SEDGWICK: And so the borrower would have
7 not be sent scurrying at some future date ---

8 MR. ROSENBERG: No, we borrow at perhaps
9 even higher rates of interest.

10 MR. SEDGWICK: One advantage to the plan,
11 but I think the biggest advantage to the plan lies in
12 the fact that where a transaction is going to be in
13 the high effective rate of interest, the monthly pay-
14 ments are going to be much in excess than what he is
15 probably paying.

16 MR. WHITEBERG: It would squeeze the ---
17 it would have a tendency to squeeze the interest rate
18 down.

19 MR. ROSENBERG: That is right.

20 A MEMBER: There is ---

21 MR. SEDGWICK: Just a minute please.
22 Are you suggesting this for first mortgages, second
23 mortgages, and all forms of lending?

24 MR. ROSENBERG: All forms of lending.

25 MR. SEDGWICK: If I may make that
26 suggestion based on yours, if the vendor's collateral
27 were limited to the goods actually purchased, let us say
28 a refrigerator, and if the payments had to be amortized
29 over the term of the contract, the dealer will be very
30 cautious in his credit collection, he would try to



is certainly has some interesting potential as far as
I am concerned. If your suggestion were implemented
by whichever government had that power there would be
no balloon payment would there?

MR. LEONARD: And so the borrower would
not be sent scrambling at some future date --
MR. ROSENBERG: No, we don't want to have
even higher rates of interest.

MR. LEONARD: One advantage to the plan
but I think the biggest advantage to the plan lies in
the fact that where a transaction is going to be in
the high effective rate of interest, the monthly pay-
ments are going to be much heavier than what he is

MR. WHITE: It would increase the --
it would have a tendency to reduce the interest rate
down.

MR. ROSENBERG: That is right.
A borrower
MR. LEONARD: That is a little different.

Are you suggesting that you first borrow, as second
mortgages, and all kinds of junk?

MR. ROSENBERG: All kinds of lending.
MR. LEONARD: If I may state that

suggestion based on loans, if we suppose a collateral
were limited to the goods actually purchased, let us say
a refrigerator, and if the payments had to be amortized
over the term of the contract, the dealer will be very
cautious in his credit collection, he would try to



1 insure that the purchaser wasn't getting in over his
2 head, wouldn't he? He could seize the refrigerator.
3 He couldn't put all the man's furniture on the note --
4 do you follow me?

5 MR. ROSENBERG: Yes, I follow what you
6 mean. But this involves, I believe, acceptance finan-
7 cing.

8 MR. SEDGWICK: Yes, yes it does.

9 MR. ROSENBERG: That is where the vendor
10 signs a contract with an acceptance company at a dis-
11 count.

12 MR. SEDGWICK: Yes. But right now what
13 they are doing is adding another item of household
14 belongings which have been already paid for and there
15 are some vicious consequences to this.

16 MR. ROSENBERG: No, I think what you are
17 referring to, if you are referring to the financing
18 of a refrigerator and I believe that it is only the
19 refrigerator that is tied up in the contract, however,
20 should the purchaser fail in his obligations, he could
21 be involved by the suit from the acceptance company
22 in which case they have a promissory note showing that
23 he does owe the money. The result would be that not
24 only the refrigerator could be seized, there would be
25 a judgment execution filed against the purchaser in
26 which case garnishment of his wages and also seizure
27 of his other assets by ----

28 MR. SEDGWICK: And sometimes a chattel
29 mortgage is taken on goods already paid for as addi-
30 tional collateral.



insure that the purchaser wasn't getting in over his head, but that the seller was getting in over his head. But this involves, I believe, acceptance of the mortgage. But this involves, I believe, acceptance of the mortgage. But this involves, I believe, acceptance of the mortgage.

MR. ROSENBERG: Yes, I follow what you

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MR. ROSENBERG: Yes, yes it does.

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signs a contract with an acceptance company as a guar-

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of a refrigerator and I believe that it is only the

refrigerator that is tied up in the contract, however,

should the purchaser want in his obligation, he could

be involved by the suit from the acceptance company.

In which case they have a promissory note showing that

he does owe the money. The result will be that not

only the refrigerator could be seized, there would be

a judgment execution filed against the purchaser in

which case garnishment of his wages and other things

of his other assets by --

mortgage is taken on goods already paid for as addi-

tional collateral.



1 MR. ROSENBERG: In connection with the
2 purchase?

3 MR. SEDGWICK: Yes.

4 MR. ROSENBERG: Well then this therefore
5 would in effect, I think, become a loan rather than
6 acceptance financing.

7 MR. SEDGWICK: Well, tell us what you want,
8 I have seen it work.

9 MR. ROSENBERG: Well I think what I have
10 suggested here, sir, in my own opinion, I think that
11 the greatest effect that it would have would simply to
12 induce either a mortgage broker arranging a loan or a
13 finance company lending money or an acceptance company
14 financing the contract to reduce the effective rate of
15 interest and at the same time it reduces the monthly
16 payments to the point that the obligation can be carried
17 out without too much difficulty.

18 MR. SEDGWICK: Your suggestion is to
19 supply first mortgages also?

20 MR. ROSENBERG: Oh, definitely.

21 MR. SEDGWICK: Which it does not now do.

22 MR. ROSENBERG: No, sir.

23 MR. SEDGWICK: Well, Mr. Chairman, I think
24 that we said we should have our experts go into that
25 suggestion very, very carefully because it seems to me
26 it has very interesting possibilities.

27 MR. ROSENBERG: Mr. Chairman, may I ask
28 the Committee a question?

29 MR. WHITE: Mr. Rosenberg, your firm is the
30 Northern Loan, is that right?



MR. ROSENBERG: In connection with this

document

MR. ROSENBERG: Well then this therefore

would in effect, I think, become a loan rather than

acceptance financing.

MR. SEDGWICK: Well, tell us what you want.

I have seen it work.

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the greatest effect that it would have would simply be

to induce either a mortgage broker arranging a loan or a

finance company lending money on an acceptance company

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supply first mortgages also?

MR. SEDGWICK: Which is done now so.

that we said we should have our assets go into that

suggestion very, very carefully because it seems to me

it has very interesting a self-interest.

MR. ROSENBERG: Mr. Chairman, may I ask

MR. WHITE: Mr. Rosenberg, your time is the

limitation is that right?



1 MR. ROSENBERG: That is true, sir.

2 MR. WHITE: Is that a sole proprietorship?

3 MR. ROSENBERG: Yes, it is.

4 MR. WHITE: Yes, and you are the sole
5 proprietor?

6 MR. ROSENBERG: Yes, I am.

7 MR. WHITE: And you said at the start of your
8 evidence that the people that you dealt with were people
9 who were hard pressed for money and you permitted them
10 to consolidate their debts.

11 MR. ROSENBERG: Not all people. I would
12 say approximately 30 to 35 per cent of the people are
13 people who are hard pressed for money.

14 MR. WHITE: Well, how do you get your loans?
15 It has been said to me that you have girls that just
16 telephone names out of the telephone directory and ask
17 them if they need money. Is that right?

18 MR. ROSENBERG: The same as Mclean's Hunter --

19 MR. WHITE: All right, except that they
20 are not getting mortgages. Is that how you get your
21 contacts?

22 MR. ROSENBERG: The majority of them that
23 way, yes.

24 MR. WHITE: Well, how do you know that they
25 need money when you only call them at random?

26 MR. ROSENBERG: Well, we don't know whether
27 they need money or not until they ask us.

28 MR. WHITE: I see. And then the girls make
29 an appointment for you to see them. Is that right?

30 MR. ROSENBERG: No, sir.

MR. ROSENBERG: That is true, sir.

MR. WHITE: Is that a sole proprietorship?

MR. ROSENBERG: Yes, it is.

MR. WHITE: Yes, and you are the sole

MR. ROSENBERG: Yes, I am.

MR. WHITE: And you said at the time of your

evidence that the people that you dealt with were people

who were hard pressed for money and you permitted them

to consolidate their debts.

MR. ROSENBERG: Not all people. I would

say approximately 30 to 35 percent of the people are

people who are hard pressed for money.

MR. WHITE: Well, how do you get your loans?

It has been said to me that you have given that just

telephone names out of the telephone directory and ask

them if they need money. Is that right?

MR. ROSENBERG: The same as Missa's Number -

MR. WHITE: All right, except that they

are not getting mortgages. Is that how you get your

MR. ROSENBERG: The majority of them that

MR. WHITE: Well, how do you know that they

need money when you only call them at random?

MR. ROSENBERG: Well, we don't know whether

they need money or not until they ask us.

MR. WHITE: I see. And then the girls come

an arrangement for you to see them. Is that right?

MR. ROSENBERG: No, sir.



1 MR. WHITE: Well, how do you get them to
2 contact you these people that your girls telephoned?

3 MR. ROSENBERG: Well, the head girl, she is
4 --- you call this person at a later date and discuss
5 with them in a business like manner their financial
6 position.

7 MR. WHITE: Folks you know nothing about
8 until you go to see them.

9 MR. ROSENBERG: Yes, that is right.

10 MR. WHITE: Then you try to persuade them to
11 take a second mortgage.

12 MR. ROSENBERG: Yes, sir.

13 MR. WHITE: You are aware that some of your
14 clients or customers said that you do?

15 MR. ROSENBERG: I never heard that before.

16 MR. WHITE: Oh, aren't you. Well, let me
17 give you a specific example. You remember Mrs. Violet
18 Smith at 452 Aylesworth Avenue, do you remember that?

19 MR. ROSENBERG: Yes.

20 MR. WHITE: Do you remember that she claimed
21 that she and her husband had been frightened into taking
22 a mortgage?

23 MR. ROSENBERG: Well, sir, this story ---
24 the situation in that case. I attended the home at
25 about half past seven, and I sat down and completed a
26 credit statement to see what their financial position
27 was. On that particular case, we had discussed the
28 --- that it was wiser for her to have
29 one first mortgage at 7-1/2 per cent interest and
30 consolidate her accounts ---

MR. WHITE: But she only had



100-101-102-103-104-105-106-107-108-109-110-111-112-113-114-115-116-117-118-119-120-121-122-123-124-125-126-127-128-129-130-131-132-133-134-135-136-137-138-139-140-141-142-143-144-145-146-147-148-149-150-151-152-153-154-155-156-157-158-159-160-161-162-163-164-165-166-167-168-169-170-171-172-173-174-175-176-177-178-179-180-181-182-183-184-185-186-187-188-189-190-191-192-193-194-195-196-197-198-199-200-201-202-203-204-205-206-207-208-209-210-211-212-213-214-215-216-217-218-219-220-221-222-223-224-225-226-227-228-229-230-231-232-233-234-235-236-237-238-239-240-241-242-243-244-245-246-247-248-249-250-251-252-253-254-255-256-257-258-259-260-261-262-263-264-265-266-267-268-269-270-271-272-273-274-275-276-277-278-279-280-281-282-283-284-285-286-287-288-289-290-291-292-293-294-295-296-297-298-299-300-301-302-303-304-305-306-307-308-309-310-311-312-313-314-315-316-317-318-319-320-321-322-323-324-325-326-327-328-329-330-331-332-333-334-335-336-337-338-339-340-341-342-343-344-345-346-347-348-349-350-351-352-353-354-355-356-357-358-359-360-361-362-363-364-365-366-367-368-369-370-371-372-373-374-375-376-377-378-379-380-381-382-383-384-385-386-387-388-389-390-391-392-393-394-395-396-397-398-399-400-401-402-403-404-405-406-407-408-409-410-411-412-413-414-415-416-417-418-419-420-421-422-423-424-425-426-427-428-429-430-431-432-433-434-435-436-437-438-439-440-441-442-443-444-445-446-447-448-449-450-451-452-453-454-455-456-457-458-459-460-461-462-463-464-465-466-467-468-469-470-471-472-473-474-475-476-477-478-479-480-481-482-483-484-485-486-487-488-489-490-491-492-493-494-495-496-497-498-499-500-501-502-503-504-505-506-507-508-509-510-511-512-513-514-515-516-517-518-519-520-521-522-523-524-525-526-527-528-529-530-531-532-533-534-535-536-537-538-539-540-541-542-543-544-545-546-547-548-549-550-551-552-553-554-555-556-557-558-559-560-561-562-563-564-565-566-567-568-569-570-571-572-573-574-575-576-577-578-579-580-581-582-583-584-585-586-587-588-589-590-591-592-593-594-595-596-597-598-599-600-601-602-603-604-605-606-607-608-609-610-611-612-613-614-615-616-617-618-619-620-621-622-623-624-625-626-627-628-629-630-631-632-633-634-635-636-637-638-639-640-641-642-643-644-645-646-647-648-649-650-651-652-653-654-655-656-657-658-659-660-661-662-663-664-665-666-667-668-669-670-671-672-673-674-675-676-677-678-679-680-681-682-683-684-685-686-687-688-689-690-691-692-693-694-695-696-697-698-699-700-701-702-703-704-705-706-707-708-709-710-711-712-713-714-715-716-717-718-719-720-721-722-723-724-725-726-727-728-729-730-731-732-733-734-735-736-737-738-739-740-741-742-743-744-745-746-747-748-749-750-751-752-753-754-755-756-757-758-759-760-761-762-763-764-765-766-767-768-769-770-771-772-773-774-775-776-777-778-779-780-781-782-783-784-785-786-787-788-789-790-791-792-793-794-795-796-797-798-799-800-801-802-803-804-805-806-807-808-809-810-811-812-813-814-815-816-817-818-819-820-821-822-823-824-825-826-827-828-829-830-831-832-833-834-835-836-837-838-839-840-841-842-843-844-845-846-847-848-849-850-851-852-853-854-855-856-857-858-859-860-861-862-863-864-865-866-867-868-869-870-871-872-873-874-875-876-877-878-879-880-881-882-883-884-885-886-887-888-889-890-891-892-893-894-895-896-897-898-899-900-901-902-903-904-905-906-907-908-909-910-911-912-913-914-915-916-917-918-919-920-921-922-923-924-925-926-927-928-929-930-931-932-933-934-935-936-937-938-939-940-941-942-943-944-945-946-947-948-949-950-951-952-953-954-955-956-957-958-959-960-961-962-963-964-965-966-967-968-969-970-971-972-973-974-975-976-977-978-979-980-981-982-983-984-985-986-987-988-989-990-991-992-993-994-995-996-997-998-999-1000

MR. ROSENBERG: Well, the head girl, she is

you call this person at a later date and discuss

with them in a business like manner, their financial

position.

MR. WHITE: Before you know nothing about

until you go to see them.

MR. ROSENBERG: Yes, that is right.

MR. WHITE: Then you try to persuade them to

take a second mortgage.

MR. WHITE: You are aware that some of your

clients and customers said that you do?

MR. ROSENBERG: I never heard that before.

MR. WHITE: Oh, aren't you, well, let me

give you a specific example. You remember Mrs. White?

Smith at 1234 Avenue, do you remember that?

MR. ROSENBERG: Yes.

MR. WHITE: Do you remember what was claimed

that she and her husband had been frightened into taking

a mortgage?

MR. ROSENBERG: Well, this woman --

the situation in that case. I attended the home at

about half past seven, and I sat down and completed a

credit statement to see what their financial position

was. On that particular case, we had discussed the

that it was when I was to see

my first mortgage at 7-1/2 per cent interest and

consequently the mortgage



1 MR. WHITE: And she only had one mortgage
2 at that time.

3 MR. ROSENBERG: Yes, but if I recall correc-
49 4 tly, a Canada Permanent mortgage
5 48 or 49 hundred dollars.

6 MR. SEDGWICK: And you arranged to discharge
7 that mortgage ---

8 MR. ROSENBERG: During the time of the
9 interview after completion of the credit statement, I
10 pointed out to her that this is what I had suggested to
11 her and she wanted me to go ahead and be very glad to
12 fill out the statement of mortgage and the application
13 and which was done at the time. She then went ahead
14 and proceeded to get coffee and cookies and the four of
15 us were sitting in the living room discussing the matter
16 further and she had suggested to me, yes, it would be
17 perfectly okay to go ahead. She had signed the statement
18 of mortgage and also signed the application. Two days
19 later our solicitors had attended at the home with the
20 mortgage document itself. She and her husband had looked
21 over the mortgage documents, they asked us many questions.
22 Do you understand the transaction? Do you understand
23 the fees? She said, yes, yes, yes. She did and she
24 and her husband ---- I think the copy was in her name,
25 and he was a guarantor.

26 Two days later when we went off to search
27 at the sheriff's office, we found numerous executions
28 against the name of Smith. At that time I read to Mrs.
29 Smith a letter asking her and her husband to come to the
30 solicitor's office to sign the Statement of Statutory



And the only had one copy

MR. ROSENBERG: Yes, but I recall seeing

46 or 49 hundred dollars.

MR. SPENCER: And you arranged to finance

that mortgage

MR. ROSENBERG: During the time of the

interview after completion of the first statement, I pointed out to her that this is what I had suggested to her and she wanted me to go ahead and be very glad to fill out the statement of mortgage and the application and which was done at the time. The time went ahead and proceeded to get coffee and cookies and the four of us were sitting in the living room discussing the matter further and she had suggested to me, yes, it would be perfectly okay to go ahead. She had signed the application of mortgage, and also signed the application. I did so later our solicitor had reviewed all the items with the mortgage documents. She and her husband had looked over the mortgage documents, they asked me about questions Do you understand the instructions? Is your understanding the facts? She said, yes, yes, yes, yes, yes, yes, and her husband --- I think the copy was in our name, and he was a partner.

The days later she would call to discuss at the sheriff's office, we found her work excursions reflect the name of mine. At that time I went to Mrs. with a letter asking her and her husband to come to the solicitor's office to sign the statement of guaranty



1 Declaration that there were no exeutions. I had not
2 heard anything from Mr. and Mrs. Smith, nothing for four
3 or five days or a week until suddenly I received a
4 letter one --- it was a Monday morning from her
5 solicitor asking us to cancel the transaction. I had
6 discussed that with our solicitor and he thought it was
7 wise to cancel and so did I, and also we got a call from
8 the Department of Insurance saying that we should
9 cancel the transaction, and which we did.

10 MR. SEDGWICK: I am looking at the applica-
11 tion, Mr. Rosenberg? This was a \$8,000.00 mortgage at
12 7-1/2 per cent.

13 MR. ROSENBERG: That is right, sir.

14 MR. SEDGWICK: And the charges were \$720.00.

15 MR. ROSENBERG: Yes, sir.

16 MR. SEDGWICK: So the borrower would have
17 got \$7,280.00, is that right?

18 MR. ROSENBERG: That is correct, sir.

19 MR. SEDGWICK: With interest on the \$8,000.00.

20 MR. ROSENBERG: Let me see, that is correct.

21 MR. SEDGWICK: To pay interest on the
22 \$8,000.00.

23 MR. ROSENBERG: That is correct.

24 MR. SEDGWICK: Then I see the charges are
25 made up thus. Bonus, brokerage fees and commission
26 \$300.00. Would that be your fee?

27 MR. ROSENBERG: \$300.00.

28 MR. SEDGWICK: Yes.

29 MR. ROSENBERG: May I look at that please?

30 MR. SEDGWICK: Yes. Here you are, sir.



1 I had not
2 decided that there were no exceptions. I had not
3 or five days or a week until suddenly I received a
4 letter one --- it was a Monday morning from her
5 solicitor asking us to cancel the transaction. I had
6 discussed that with our solicitor and he thought it was
7 wise to cancel and so did I, and also we got a call from
8 the Department of Insurance saying that we should
9 cancel the transaction, and which we did.

10 MR. SEDGWICK: Then looking at the applica-
11 tion, Mr. Rosenberg? This was a \$6,000.00 mortgage at
12 7-1/2 per cent.

13 MR. ROSENBERG: That is right, sir.
14 MR. SEDGWICK: And the charges were \$2,000.
15 MR. ROSENBERG: Yes, sir.
16 MR. SEDGWICK: So the borrower would have

17 got \$7,280.00, is that right?
18 MR. ROSENBERG: That is correct, sir.

19 MR. SEDGWICK: With interest on the \$7,280.00.
20 MR. ROSENBERG: Let me see, that is correct.
21 MR. SEDGWICK: To pay interest on the

22 \$8,000.00.
23 MR. ROSENBERG: That is correct.

24 MR. SEDGWICK: When I see the charges are
25 made up thus, Bonus, for sales fees and commission

26 \$2,000.00.
27 MR. ROSENBERG: \$2,000.00.

28 MR. ROSENBERG: May I look at that please?
29 MR. SEDGWICK: Yes, have you any, sir.



1 MR. ROSENBERG: That is what it says.

2 MR. SEDGWICK: Yes. \$300.00. Is that your
3 usual fee?

4 MR. ROSENBERG: That is part of it, sir.

5 MR. SEDGWICK: What do you mean that is part
6 of it?

7 MR. ROSENBERG: Well, there is my legal fees,
8 services charges.

9 MR. SEDGWICK: All I am concerned with, the
10 \$300.00, is that your fee?

11 MR. ROSENBERG: In some situations, yes sir.

12 MR. SEDGWICK: Well, look at this situation,
13 is it your fee in this situation?

14 MR. ROSENBERG: Yes, sir.

15 MR. SEDGWICK: And that \$20.00 inspection
16 and appraisal fee, would that be your fee also?

17 MR. ROSENBERG: Yes, sir.

18 MR. SEDGWICK: And then legal fees and
19 disbursements of not more than \$240.00. Who would get
20 that money?

21 MR. ROSENBERG: The solicitor for arranging
22 for the clients.

23 MR. SEDGWICK: Why would he get \$240.00
24 which is about three times the tariff?

25 MR. ROSENBERG: Well, that is his rate, sir,
26 and those are his charges, and is what has been paid to
27 us, sir.

28 MR. SEDGWICK: Do you participate in that
29 \$240.00?

30 MR. ROSENBERG: That is deducted.



MR. SEDGWICK: Yes, \$200.00. Is that your
MR. ROSENBERG: That is part of it, sir.
MR. SEDGWICK: What do you mean that is part
MR. ROSENBERG: Well, there is my legal fees
MR. SEDGWICK: All I am concerned with, the
\$200.00, is that your fees
MR. ROSENBERG: In some instances, you also
MR. SEDGWICK: Well, look at this statement,
is it your fee in this statement?
MR. ROSENBERG: Yes, sir.
MR. SEDGWICK: And that \$200.00 is for legal
and appraisal fee, would that be your fee also?
MR. ROSENBERG: Yes, sir.
MR. SEDGWICK: And then legal fees and
disbursements of not more than \$250.00. Who would pay
MR. ROSENBERG: The collection for attorney
for the client.
MR. SEDGWICK: Now would he get \$250.00
which is about three times the fee?
MR. ROSENBERG: Well, that is the way it is,
and those are his costs, and I would have been paid to
MR. SEDGWICK: Do you anticipate in that



1 MR. SEDGWICK: No, I said did you participate
2 in that \$240.00. It all went to the solicitor, is that
3 correct? After it's been completed?

4 MR. ROSENBERG: That is right.

5 MR. SEDGWICK: Then other charges, service
6 charges, \$160.00. What is that for?

7 MR. ROSENBERG: That is for the time spent
8 at home, time spent processing, getting first mortgage
9 statements ---

10 MR. SEDGWICK: Is it a brokerage fee?

11 MR. ROSENBERG: No, sir. That is a
12 commission for arranging the loan, the commission only.

13 MR. SEDGWICK: Where was the brokerage fee
14 then? Because it is called brokerage fee -----

15 MR. ROSENBERG: Brokerage fees, they are
16 only the fees that --- brokerage fee is a fee if the
17 loan is taken, if the mortgage is taken in the name of
18 the broker and so were signed. --- there comes the
19 brokerage fee.

20 MR. SEDGWICK: But all your mortgages are
21 taken in the name of the broker, aren't they?

22 MR. ROSENBERG: Not all of them, no, sir.

23 MR. SEDGWICK: Do you carry any of them
24 yourself? Can't be very many, you wouldn't take so
25 long. (Laughter)

26 MR. ROSENBERG: I have a few --- going back
27 into different situations.

28 MR. SEDGWICK: A long time ago?

29 MR. ROSENBERG: Yes, sir.

30 MR. SEDGWICK: But almost invariably you



Mr. [Name] : No, I said did you participate in that \$240,000. It all went to the solicitor, is that correct? After it has been completed?

Mr. [Name] : That is right.

Mr. [Name] : What is that for?

Mr. [Name] : That is for the time spent at home, time spent processing, getting first mortgage statements --

Mr. [Name] : Is it a pro rata fee?

Mr. [Name] : No, sir. That is a

Mr. [Name] : Where was the brokerage fee?

Mr. [Name] : Because it is a kind of mortgage fee --

Mr. [Name] : Mortgage fees, they are only the fees that -- brokerage fee is a fee if the loan is taken, the mortgage is taken in the name of the broker and so were they. -- there comes the brokerage fee.

Mr. [Name] : But all your mortgages are taken in the name of the broker, aren't they?

Mr. [Name] : Not all of them, no, sir.

Mr. [Name] : Do you carry any of them yourself? Don't be very mean, you wouldn't take a

Mr. [Name] : I have a few -- going into different situations.

Mr. [Name] : A long time ago?

Mr. [Name] : Yes, sir.

Mr. [Name] : But almost in



1 merely act as an agent?

2 MR. ROSENBERG: That is right, sir.

3 MR. SEDGWICK: You secure the borrower and
4 you have it available to your records and you take the
5 mortgage in your own name and then assign it. Is that
6 correct?

7 MR. ROSENBERG: In some situation, yes, sir.

8 MR. SEDGWICK: Yes. And in other situations
9 the mortgage is direct to the lender?

10 MR. ROSENBERG: That is right, yes.

11 MR. SEDGWICK: Well then why should there
12 be the two charges, brokerage fee or commission at
13 \$300.00 and then service charges of \$160.00?

14 MR. ROSENBERG: Now, first of all, these
15 charges are justified for the simple reason that the
16 cost of doing business today is quite high as it was
17 some time ago for the last fifteen or eighteen years
18 ago. If we were to cancel out the service charge, the
19 result would be, the company would just be operating
20 at a loss.

21 MR. SEDGWICK: Well, why can't it all be
22 stated as being your commission, because you get it all?

23 MR. ROSENBERG: If I get the service charge
24 or if I get the commission, what is the difference?
25 Whether it is all service charge, or all commission, or
26 all bonus, or all discount?

27 MR. SEDGWICK: Well how do you manage to
28 divide it? Why is \$300.00 called the brokerage fee and
29 \$160.00 called the service commission? Why --- on what
30 basis do you divide it?

merely not an agent?

MR. ROSENBERG: That is right, sir.

MR. SHAWLICK: You secure the property and

you have liability as you record and you take the

mortgage in your own name and then assign it. Is that

correct?

MR. ROSENBERG: In some situation yes, sir.

MR. SHAWLICK: Yes. And in other situations

the mortgage is direct to the lender?

MR. ROSENBERG: That is right, yes.

MR. SHAWLICK: Well then why should there

be the two charges, mortgage too or combination of

\$300.00 and then service charges of \$100.00?

MR. ROSENBERG: Now, first of all, these

charges are justified for the simple reason that the

cost of doing business today is quite high as it was

some time ago but the fact is that on a hundred years

ago, if we were to cancel out the service charges, the

result would be, the company would have to operate on

at a loss.

MR. SHAWLICK: Well, why can't it all be

stated as being your commission, because you get it all?

MR. ROSENBERG: It is not the service charge

on the fee the commission, when is the difference?

Whether it is the service charge, or the commission, or

all three or all of them?

MR. SHAWLICK: Well how do you manage to

divide it? Why is \$300.00 added to the mortgage too and

\$100.00 added to the service commission? Why -- on what

basis do you divide it?



1 ---- (Inaudible)

2 MR. SEDGWICK: But this was in February 1963.

3 MR. ROSENBERG: Yes.

4 MR. SEDGWICK: That isn't very long ago?

5 MR. ROSENBERG: No. We have been doing this
6 for quite some time. I am still doing it right now.

7 MR. SEDGWICK: Then you are not ready to tell
8 the Committee how the fee of \$780.00 or \$720.00 is
9 divided up in that way?

10 MR. ROSENBERG: It wouldn't be \$780.00. It
11 would be \$480.00, sir.

12 MR. SEDGWICK: Oh, no, no, no. The whole
13 fee was \$720.00, which included \$240.00 legal fees.

14 MR. ROSENBERG: Well, this is something I
15 haven't received, sir.

16 MR. SEDGWICK: I know, but it was something
17 you stipulated -----

18 MR. ROSENBERG: (Inaudible)

19 MR. SEDGWICK: Would you have actually paid
20 the lawyer the \$240.00?

21 MR. ROSENBERG: The lawyer's fees were paid
22 before I received my commission, sir, the service charges.

23 MR. SEDGWICK: Who was the lawyer? Was it
24 Mr. Croll?

25 MR. ROSENBERG: Yes, sir.

26 MR. SEDGWICK: What is your ordinary fee
27 for arranging a loan?

28 MR. ROSENBERG: On a first mortgage it works
29 out to 6 per cent, sir, plus the legal fees and the
30 disbursements. The 6 per cent would include inspection



MR. ROBERTSON: But this was in February 1963.
MR. ROBERTSON: That isn't very long ago.
MR. ROBERTSON: No, we have been doing this
for quite some time. I am still doing it right now.
MR. ROBERTSON: Then you are not ready to sell
the Commission how the fee of \$150.00 on \$750.00 is
divided in that way?
MR. ROBERTSON: It wouldn't be \$750.00. It
would be \$450.00, sir.
MR. ROBERTSON: Oh, no, no, no. The whole
fee was \$750.00, which included \$450.00 legal fees.
MR. ROBERTSON: I know, but it was something
you stipulated ---
MR. ROBERTSON: Would you have actually paid
the lawyer \$450.00?
MR. ROBERTSON: The lawyer's fees were paid
before I received my commission, sir, the service charges.
MR. ROBERTSON: Who was the lawyer? Was it
MR. ROBERTSON: Yes, sir.
MR. ROBERTSON: That is your ordinary fee
for arranging a loan?
MR. ROBERTSON: On a loan mortgage it works
out to 6 per cent, sir, plus the legal fees and the
disbursements. The other cost would include inspection



1 fees, commissions and service charge.

2 MR. SEDGWICK: 6 per cent?

3 MR. ROSENBERG: Yes, sir.

4 MR. SEDGWICK: And then the legal fees?

5 MR. ROSENBERG: The legal fees would ----

6 MR. SEDGWICK: The legal fees --- they would
7 be 1-1/4 per cent, isn't it? Is that the tariff?

8 MR. ROSENBERG: Well, yes, sir. I believe ---
9 I think the broker's fee is the finder's fee.

10 MR. SEDGWICK: Why should the solicitors
11 charge the finder's fee when you find the borrower and
12 you have the lender's payroll.

13 MR. ROSENBERG: Well, the solicitor, he acts
14 on the behalf of his clients and it is through his clients
15 that the mortgage is actually prepared for.

16 MR. SEDGWICK: Oh,

17 MR. ROSENBERG: In other words, his client
18 advanced the money, his client, as I say, advanced the
19 \$8,000.00.

20 MR. SEDGWICK: Yes, so the solicitor, he
21 charges for the legal fees for doing the legal work?

22 MR. ROSENBERG: Right.

23 MR. SEDGWICK: And the finder's fee?

24 MR. ROSENBERG: Right.

25 MR. SEDGWICK: But you do the finding, don't
26 you? You found the borrower and you found the lender?

27 MR. ROSENBERG: I couldn't say found the
28 lender because if I didn't pay his fee then he would not
29 supply the lender.

30 MR. SEDGWICK: Well, you say 6 per cent would



1 (The following is a summary of the evidence given by the witness.)

2 MR. ROSENBERG: I am now going to ask the witness a few questions.

3 MR. ROSENBERG: The legal fees were --

4 MR. SEDGWICK: And then the legal fees --

5 MR. ROSENBERG: The legal fees were --

6 MR. SEDGWICK: The legal fees -- they would

7 I think the witness's fee as the witness's fee.

8 MR. ROSENBERG: Well, yes, sir, I believe --

9 I think the witness's fee as the witness's fee.

10 MR. SEDGWICK: The legal fees were --

11 Arrange the witness's fee when you find the borrower and

12 you have the lender's payroll.

13 MR. ROSENBERG: Well, the solicitor, he acts

14 on the behalf of his clients and it is through his clients

15 that the mortgage is actually prepared for.

16 MR. SEDGWICK: The legal fees were --

17 MR. ROSENBERG: In other words, his client

18 arranged the mortgage, and the legal fees were --

19 MR. SEDGWICK: The legal fees were --

20 MR. ROSENBERG: Yes, so the solicitor, no

21 charges for the legal fees for doing the legal work?

22 MR. ROSENBERG: Yes, sir.

23 MR. SEDGWICK: And the lender's fee?

24 MR. ROSENBERG: Yes, sir.

25 MR. SEDGWICK: But you do not find, don't

26 you? You found the borrower and you found the lender's

27 MR. ROSENBERG: I cannot say how I found the

28 I found the borrower and the lender's fee.

29 I found the borrower and the lender's fee.

30 MR. SEDGWICK: The legal fees were --



1 be your ordinary charge?

2 MR. ROSENBERG: That is as far as my own ---
3 well, be 9 per cent including the solicitor's charges.

4 MR. SEDGWICK: I beg your pardon?

5 MR. ROSENBERG: It would be 9 per cent
6 including the solicitor's charges.

7 MR. SEDGWICK: That would be 9 per cent of
8 the amount advanced, that it?

9 MR. ROSENBERG: 9 per cent on the face amount
10 of the mortgage, in this case it is \$8,000.00.

11 MR. SEDGWICK: I see. So you would charge
12 2 per cent, do you, for solicitor's charges?

13 MR. ROSENBERG: That is right.

14 MR. SEDGWICK: Why do you charge so much?

15 MR. ROSENBERG: That is what the solicitor
16 requires, that is his charge to me.

17 MR. SEDGWICK: Oh. Do you never bargain with
18 him as-to the amount?

19 MR. ROSENBERG: Well ----

20 MR. SEDGWICK: Do you remember dealing with
21 a Mr. William Thompson --- do you remember that?

22 MR. ROSENBERG: Very well, sir.

23 MR. SEDGWICK: How much were you to secure
24 for those people on the basis of a mortgage loan?

25 MR. ROSENBERG: I don't have my file here so
26 I can't answer too many questions on this fellow. It
27 is just a matter of proceedings in Division Court and
28 judgment was obtained.

29 MR. SEDGWICK: For how much?

30 MR. ROSENBERG: I believe it was for ---



THE UNITED STATES DEPARTMENT OF JUSTICE

1 MR. ROSENBERG: That is as far as my own ---
2 well, be 9 per cent including the solicitor's charges.
3 MR. STEWART: I beg your pardon?
4 MR. ROSENBERG: It would be 9 per cent
5 including the solicitor's charges.
6 MR. STEWART: That would be 9 per cent of
7 the amount advanced, that is?
8 MR. ROSENBERG: 9 per cent on the face amount
9 of the mortgage, in this case it is \$1,000.00
10 MR. STEWART: I see. So you would charge
11 9 per cent, do you, for solicitor's charges?
12 MR. ROSENBERG: That is right.
13 MR. STEWART: Why do you charge so much?
14 MR. ROSENBERG: That is what the solicitor
15 requires, that is his charge for me.
16 MR. STEWART: Oh. Do you never bargain with
17 him as to the amount?
18 MR. ROSENBERG: Well ---
19 MR. STEWART: Do you remember dealing with
20 a Mr. William Thompson --- do you remember that?
21 MR. ROSENBERG: Very well, sir.
22 MR. STEWART: How much would you be known
23 for those people on the basis of a mortgage loan?
24 MR. ROSENBERG: I don't know. I don't know.
25 I can't answer too many questions on this fellow. It
26 is just a matter of record as the Division Court and
27 judgment was obtained.
28 MR. STEWART: For how much?
29 MR. ROSENBERG: I believe it was for ---



1 it has been appealed --- \$2,400.00. It has been appealed.
2 MR. SEDGWICK: Yes. And you were paid
3 \$480.00, is that right?
4 MR. ROSENBERG: I can't recall, sir, I don't
5 have my file with me, sir.
6 MR. SEDGWICK: Would I be right in saying
7 that the loan in that case was \$3,500.00?
8 MR. ROSENBERG: No. I think if I recall this
9 \$2,270.00 is what they were to receive.
10 MR. SEDGWICK: \$2,270.00.
11 MR. ROSENBERG: And the amount that was re-
12 paid back was \$2,750.00.
13 MR. SEDGWICK: \$2,750.00. And the charges
14 that you were making were \$430.00 or something of that
15 order?
16 MR. ROSENBERG: That is about right.
17 MR. SEDGWICK: That is more than 9 per cent,
18 isn't it?
19 MR. ROSENBERG: Well, sir, this is a second
20 mortgage, sir, not a first.
21 MR. SEDGWICK: Oh. And the charges in the
22 case of a second mortgage would be how much?
23 MR. ROSENBERG: Approximately 16 per cent.
24 MR. SEDGWICK: 16 per cent?
25 MR. ROSENBERG: Yes, sir, including the legal
26 fees.
27 MR. SEDGWICK: Including the legal fees. And
28 how much of the 16 per cent did you pay to the lawyer?
29 MR. ROSENBERG: I believe he charges ----
30 \$50.00, sir.



1 it has been appealed -- \$2,500.00. It has been appealed.

2 MR. SEDGWICK: Yes, and you were paid

3 \$450.00, is that right?

4 MR. ROSENBERG: I can't recall, sir, I don't

5 have my file with me, sir.

6 MR. SEDGWICK: Would I be right in saying

7 that the loan in that case was \$2,500.00?

8 MR. ROSENBERG: No, I don't recall that.

9 \$2,500.00 is what they were to receive.

10 MR. SEDGWICK: \$2,500.00.

11 MR. ROSENBERG: And the amount that was paid

12 paid back was \$2,500.00.

13

14 that you were making were \$450.00 on something of that

15

16 MR. ROSENBERG: That is about right.

17 MR. SEDGWICK: That is more than 9 per cent,

18 isn't it?

19 MR. ROSENBERG: Well, sir, that is 2 percent

20 more, isn't it, not a great

21 MR. SEDGWICK: Yes, and the charges in the

22 case of a second mortgage would be how much?

23 MR. ROSENBERG: Approximately 10 per cent.

24 MR. SEDGWICK: 10 per cent?

25 MR. ROSENBERG: Yes, sir, including the legal

26 fees.

27 MR. SEDGWICK: Including the legal fees, and

28 how much of the 10 per cent did you pay to the lawyer?

29 MR. ROSENBERG: I don't know he charges --



1 MR. SEDGWICK: \$50.00. Well, \$50.00 isn't
2 three per cent, is it?

3 MR. ROSENBERG: No, but this is a second
4 mortgage, this is different. In this situation I am
5 dealing with other investors, sir, maybe six or seven
6 different people, who have moneys to loan on second
7 mortgages.

8 MR. SEDGWICK: You mean the mortgage ends
9 up in the hands of six or seven different people?

10 MR. ROSENBERG: No. Six or seven different
11 people may take out one mortgage.

12 MR. SEDGWICK: You mean they have to canvass
13 six or seven people?

14 MR. ROSENBERG: No, sir.

15 MR. SEDGWICK: Well, what do you ordinarily
16 charge as your commission in the case of second mortgages?

17 MR. ROSENBERG: That would be just an
18 ordinary charge, sir, 16 per cent.

19 MR. SEDGWICK: 16 per cent?

20 MR. ROSENBERG: Yes, sir.

21 MR. SEDGWICK: So that if the second mortgage
22 is for \$2,000.00, the charge would be \$320.00? Is that
23 right? No, 16 per cent would be

24 MR. ROSENBERG: Oh, no, 16 per cent would
25 be ---- that is right.

26 MR. SEDGWICK: \$320.00, is that right?

27 MR. ROSENBERG: Yes.

28 --- (Inaudible)

29

30



170.00. Well, 170.00 isn't

three per cent, is it?

MR. ROSENBERG: No, but this is a second

mortgage, this is different. In this situation I am

dealing with other investors, six, maybe six or seven

different people, who have money to loan on second

MR. SEDWICK: You mean the mortgage was

up in the hands of six or seven different people?

MR. ROSENBERG: No, six or seven different

people may take out the mortgage.

MR. SEDWICK: You mean they have to pay

six or seven people?

MR. SEDWICK: Well, what do you consider

change as your commission in the case of second mortgages?

MR. ROSENBERG: That would be just an

MR. SEDWICK: 10 per cent?

MR. ROSENBERG: Yes, sir.

MR. SEDWICK: So that in the second mortgage

MR. ROSENBERG: Oh, no, 10 per cent would

be --- that is right.

MR. SEDWICK: \$100.00, is that right?

MR. ROSENBERG: Yes



1 MR. ROSENBERG: \$2,000.00, the borrower
2 received \$2,000.00?

3 MR. SEDGWICK: Well, the mortgage was for
4 \$2,000.00.

5 MR. ROSENBERG: The mortgage was for \$2,000.00,
6 the charge would be \$380.00.

7 MR. SEDGWICK: In the making?

8 MR. ROSENBERG: Yes.

9 MR. SEDGWICK: That is more than I thought.
10 I thought it would be \$320.00. So that the mortgage
11 people would receive how much?

12 MR. ROSENBERG: The mortgagee will receive
13 \$1,620.00.

14 MR. SEDGWICK: \$1,620.00. And the interest
15 rate on the second mortgage would be what rate?

16 MR. ROSENBERG: Would be 12 per cent.

17 MR. SEDGWICK: 12 per cent. And what would
18 be 12 per cent on \$2,000.00?

19 MR. ROSENBERG: That is right, sir.

20 MR. SEDGWICK: Yes. Do you know what the
21 effective rate is there?

22 MR. ROSENBERG: The effective rate I assume
23 something around 21 per cent.

24 MR. SEDGWICK: Something around 21 per cent?

25 MR. ROSENBERG: Yes.

26 MR. SEDGWICK: And you say that the charge
27 would be \$380.00 on a \$2,000.00 mortgage?

28 MR. ROSENBERG: That is right.

29 MR. SEDGWICK: That is something like 18
30 per cent, is that right, on the face of the mortgage?



MR. ROSENBERG: The mortgage was for \$2,000.00, the balance.

MR. SEDGWICK: Well, the mortgage was for

\$2,000.00.

MR. ROSENBERG: The mortgage was for \$2,000.00.

the charge would be \$380.00

MR. SEDGWICK: In the morning?

MR. ROSENBERG: Yes.

MR. SEDGWICK: That is more than I thought.

I thought it would be \$380.00. So that the mortgage

is \$380.00, is that correct?

MR. ROSENBERG: The mortgage will remain

\$2,000.00.

MR. SEDGWICK: \$1,500.00, and the interest

rate on the second mortgage would be what rate?

MR. ROSENBERG: Would be 12 per cent.

MR. SEDGWICK: 12 per cent. And what would

be 12 per cent on \$2,000.00?

MR. ROSENBERG: That is right, sir.

MR. SEDGWICK: Yes. Do you know what the

effective rate is there?

MR. ROSENBERG: The effective rate I estimate

something around 21 per cent.

MR. SEDGWICK: That is right, sir.

MR. ROSENBERG: Yes.

MR. SEDGWICK: And you say that the charge

would be \$380.00 on a \$2,000.00 mortgage?

MR. ROSENBERG: That is right.

MR. SEDGWICK: That is something like 12

per cent, is that correct, sir?



1 MR. ROSENBERG: On the face of the mortgage,
2 --- 16 per cent.

3 MR. SEDGWICK: And does that include the
4 legal fees?

5 MR. ROSENBERG: Yes, sir.

6 MR. SEDGWICK: And how much would the legal
7 fees be in that case, on a \$2,000.00 mortgage?

8 MR. ROSENBERG: It would be \$50.00, sir.

9 MR. SEDGWICK: \$50.00?

10 MR. ROSENBERG: Yes, sir.

11 MR. SEDGWICK: So you would collect \$350.00
12 for arranging that mortgage, is that right?

13 MR. ROSENBERG: Yes.

14 MR. SEDGWICK: Is that the ordinary rate
15 payable by borrowers who want to borrow on a second
16 mortgage?

17 MR. ROSENBERG: Yes, sir.

18 MR. SEDGWICK: So the effective rate of
19 interest on the money they received would be -----
20 21 per cent?

21 MR. ROSENBERG: That is right

22 MR. SEDGWICK: Right?

23 MR. ROSENBERG: Yes, that is right

24 MR. SEDGWICK: You have already said that
25 you would have no objection to the actual interest rate
26 appearing on the face of the document?

27 MR. ROSENBERG: No, sir.

28 MR. SEDGWICK: You wouldn't object to that.

29 MR. ROSENBERG: No, sir. Only provided that
30 our industry and our forms of money lending --- are



1 MR. ROSENBERG: On the face of the mortgage,
2
3 MR. SEDGWICK: And does that include the
4
5
6 MR. SEDGWICK: And how much would the bank
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1 applied equally.

2 MR. SEDGWICK: I don't know what you mean.

3 MR. ROSENBERG: Well in other words, the
4 finance companies are compelled to state their true rate
5 of interest and the banks are compelled to state their
6 true rate of interest and the finance and acceptance
7 companies are compelled to state their true rate of
8 interest, I would be willing to do that too, sir.

9 MR. SEDGWICK: I see. If the true rate was
10 disclosed on the face of the mortgage would it make it
11 too difficult for you to get lenders?

12 MR. ROSENBERG: I don't think so.

13 MR. SEDGWICK: Was it your custom, Mr.
14 Rosenberg, to take the application for a mortgage loan
15 and then register it against the title of the borrower
16 in case the mortgage fell through?

17 MR. ROSENBERG: Was it a customer? ~~Yes, yes.~~

18 MR. SEDGWICK: Yes. Did you do it with any
19 frequency?

20 MR. ROSENBERG: I would say in the past
21 three years, whether you call it frequency, I can recall
22 about five cases --- four cases, four or five cases.

23 MR. SEDGWICK: This is where the borrower
24 or tentative borrower changed his mind and didn't want
25 to go through with the loan, you registered your form
26 of mortgage application against the property so that it
27 formed a lien on that property, is that right?

28 MR. ROSENBERG: Not in all cases.

29 MR. SEDGWICK: No, but you did it in many
30 cases?



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MR. ROSENBERG: I don't know what you mean.

MR. ROSENBERG: Well in other words, the

company suggested the mortgage to be made in the name of

of interest and the fact that the mortgage was made in the name of

the fact that the mortgage was made in the name of the company

companies are compelled to state their true state of

affairs, I think the mortgage should be made in the name of

MR. SHUGWICK: I see. If the same rule was

disclosed on the face of the mortgage would it make it

too difficult for you to get loaned?

MR. ROSENBERG: I don't think so.

MR. SHUGWICK: Was it your custom, Mr.

Rosenberg, to state the mortgage in the mortgage loan

and then register it against the title of the borrower?

In case the mortgage fell through?

MR. ROSENBERG: Yes, that is the way it is done.

MR. SHUGWICK: Yes, but you do it with any

MR. ROSENBERG: I would say in the past

three years, whether you call it a mortgage, I can recall

about five cases -- four or five cases.

MR. SHUGWICK: What is the record in the mortgage

or tentative mortgage cases, but I don't think I want

to go through with the loan, you registered with loan

of mortgage application against the property so that it

formed a lien on that property, is that right?

MR. ROSENBERG: Not in all cases.

MR. SHUGWICK: No, but you did it in many



1 MR. ROSENBERG: Not in many, sir.

2 MR. SEDGWICK: But in some?

3 MR. ROSENBERG: Yes.

4 MR. SEDGWICK: That was where the mortgage
5 had not gone through at all.

6 MR. ROSENBERG: This would probably be a
7 case where these people may have misrepresented or either
8 way, they wanted to cancel after maybe two or three days
9 for some justifiable reason or a case where they may
10 have excessive executions of judgment where the trans-
11 action did not close.

12 MR. SEDGWICK: Then did you on some occasions
13 sue for that fee?

14 MR. ROSENBERG: Yes, sir.

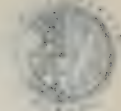
15 MR. SEDGWICK: And collected even --- in some
16 cases collected even though the mortgage had not been
17 made?

18 MR. ROSENBERG: For time and services, yes.

19 MR. SEDGWICK: There would, of course be no
20 finder's fee in those cases, would there because you
21 didn't make the loan?

22 MR. ROSENBERG: It depends if you are
23 referring to first mortgages, only once I recall deposit
24 on title of the first mortgage, and in that case there
25 was just a nominal settlement was made out of court.
26 On the second occasion, I recall about only three cases
27 to the best of my recollection in the last three or four
28 or five years.

29 MR. SEDGWICK: Where you sued for your fee
30 even though the mortgage had not gone through?



MR. ROBINSON: Not in my, sir.

MR. SEDGWICK: But in some.

MR. ROBINSON: Yes.

MR. SEDGWICK: That was where the mortgage

had not gone through at all.

MR. ROBINSON: This would probably be a

case where these people may have misinterpreted or either

way, they wanted to cancel after two or three days

for some justifiable reason or a case where they may

have excessive extensions of judgment where the terms

action did not close.

MR. SEDGWICK: Then did you on some occasions

see for that too?

MR. ROBINSON: Yes, sir.

MR. SEDGWICK: And collected when -- in some

cases collected even though the mortgage had not been

paid?

MR. ROBINSON: For time and money, yes.

MR. SEDGWICK: There would, of course, be no

finder's fee in those cases, would there because you

didn't make the loan?

MR. ROBINSON: It depends on the case.

Referring to that statement on page 1, would I really deposit

on title of the first mortgage, and in that case there

was just a nominal settlement was made out of court.

On the second occasion, I really would only raise cash

to the best of my recollection in the last case of four

or five years.

MR. SEDGWICK: Where you said for good for

even though the mortgage had not gone through?



1 MR. ROSENBERG: Well, we sued for our time
2 and services, yes.

3 MR. SEDGWICK: But the time and services
4 would be the same as the fee as the fee stipulated if
5 the mortgage had gone through?

6 MR. ROSENBERG: Yes. Same thing.

7 MR. SEDGWICK: I think that is all.

8 THE CHAIRMAN: Have you any questions?

9 MR. SEDGWICK: That is all.

10 MR. WHITE: Well, I must say I am
11 astounded that this gentleman comes in here with what
12 appears to me to be an excellent suggestion, when a des-
13 cription of his own operation just makes my hair stand
14 on end. I think it is one of the worst, most flagrant
15 case of of usury that I have heard about. And yet I
16 think the suggestion which was brought in here is a
17 good one, and I hope the suggestion will be given
18 consideration even though his own business practice
19 does leave something to be desired.

20 THE CHAIRMAN: Mr. MacDonald, any questions?
21 Mr. Bukator, any questions?

22 MR. BUKATOR: Not at the moment, no.

23 THE CHAIRMAN: Mr. Lawrence?

24 MR. LAWRENCE: Yes. The suggestion we had
25 last week when we had the representatives of the Mortgage
26 Brokers' Association. Is it all right to go on with
27 the Mortgage Brokers' Association?

28 THE CHAIRMAN: Yes.

29 MR. LAWRENCE: The suggestion was made that
30 the one way we could attempt to curb some of this racket



MR. ROSENBERG: Well, we need for our time

MR. SHAW: But the time and services

would be the same as the fee as the fee calculated in

the mortgage had gone through?

MR. ROSENBERG: Yes, same thing.

MR. SHAW: I think that is all.

THE CHAIRMAN: Have you any questions?

MR. SHAW: That is all.

MR. WILSON: Well, I must say I am

astounded that this gentleman comes in here with what

appears to me to be an excellent suggestion, when a ques-

tion of his own operation just makes my hair stand

up, and I think it is one of the worst, most flimsy

case of an enemy that I have heard about. And yet I

think the suggestion which was brought in here is a

good one, and I hope the suggestion will be given

consideration even though his own business practice

does leave something to be desired.

THE CHAIRMAN: Mr. Macdonald, any questions?

Mr. Baker, any questions?

MR. BAKER: Not at the moment, no.

MR. BAKER: Yes, fine suggestion we had

last week when we had the representatives of the Mortgage

Brokers' Association. It is all right to go on with

THE CHAIRMAN: Yes

MR. BAKER: The suggestion was made that

the one way we could attempt to do some of this racket



1 af far as the brokers' commission is concerned would be
2 to have a tariff, either industry policed or if necessary
3 or federal policed. What do you think would be a fair
4 tariff for mortgage brokers' commission; as far as first
5 mortgages are concerned?

6 MR. ROSENBERG: I think that the true
7 effective rate of interest should be brought out into
8 the light. I believe the market, the complications of
9 the market for the just rate.

10 MR. LAWRENCE: All right you told us that
11 people knew they were paying what their real effective
12 rate of interest was, whether they knew what it was or
13 whether they didn't know what it was, you would still
14 be able to take on clients ----- on mortgage transactions.
15 How would this possibly affect the true rate of interest?

16 MR. ROSENBERG: Well, the true rate of
17 interest would compell all brokers to try to attempt to
18 reduce his costs in order to

19 --- (inaudible)

20 MR. LAWRENCE: You were saying here, that
21 perhaps one of the reasons --- I am not trying to put
22 anything in your moth --- I am trying to understand you
23 --- if there were some governmental provisions specify-
24 ing the true effective rate of interest that people had
25 to pay that this would bring about competition as far
26 as mortgage brokers' commissions were concerned.

27 MR. ROSENBERG: Not as far as mortgage brokers'
28 commissions were concerned. I think it would bring
29 about competition in all forms of money lending, whether
30 mortgages or otherwise.



at far as the proposed commission as concerned would be
to have a tariff, either industry policed or if necessary
or federal policed. What do you think would be a tariff
tariff for mortgage bankers' commission, as far as that
mortgages are concerned?

MR. ROBINSON: I think that the more

information you get of the situation, the more you will
be able to handle it. I believe the commission is
the better for the long run.

MR. LAWRENCE: All right you told us that

people have been paying more than they should for
rate of interest was, whether they knew what it was or
whether they didn't know what it was, you would still

be able to take on clients ----- on mortgage transactions
How would this possibly affect the true rate of interest?
MR. ROBINSON: Well, the true rate of

interest would compel all brokers to try to accept the
reduce his costs in order to
(Inaudible)

MR. LAWRENCE: How were they paid, then

perhaps one of the reasons --- I am not trying to put
anything in your mouth --- I am trying to understand you
--- if there were some governmental regulations up and
ing the true effective rate of interest that people had
to pay that this would bring about competition as far
as mortgage bankers' commissions were concerned.

MR. ROBINSON: Not as far as mortgage bankers

commissions were concerned. I think it would bring

about competition in all forms of money lending, whether



1 MR. LAWRENCE: Can I extend that a little
2 further at the moment. Then, you feel that good
3 competition in this field is not an asset, is that
4 right?

5 MR. ROSENBERG: I say --- in my own circum-
6 stances --- mind you people are very skeptical when they
7 want to borrow. But they are not too concerned about
8 what the money is costing them.

9 MR. LAWRENCE: Have you any ideas at all
10 about the way a fair mortgage broker's commission on a
11 first mortgage would be?

12 MR. ROSENBERG: No, I haven't.

13 MR. LAWRENCE: If you don't want to answer
14 that you don't have to.

15 MR. ROSENBERG: I would say --- in my personal
16 opinion I believe a minimum of 10 per cent would cover
17 the commission and legal fees.

18 MR. LAWRENCE: A minimum of 10 per cent.

19 MR. ROSENBERG: Yes, on first mortgages.

20 MR. LAWRENCE: On first mortgages. At the
21 moment then you feel your own fees including the lawyer's
22 fees are below 10 per cent so you feel you are not
23 making enough money on the deal?

24 MR. ROSENBERG: It is not a matter of making
25 enough money, it is the outlay that counts here --- in
26 running an office, all the paper work and the bills that
27 have to be paid. By the time the transaction is
28 completed I am lucky if I have 5 or 6 per cent on every
29 thousand dollars.

30 MR. LAWRENCE: Of course your overhead as a



question in this field is not an asset, is that

MR. ROSENBERG: I say --- in my own opinion ---
stances --- mind you people are very skeptical when they
want to borrow. But they are not too concerned about
what the money is costing them.

MR. LAWRENCE: Have you any idea as to
about the way that the money is coming on a
first mortgage would be?

MR. ROSENBERG: No, I haven't.

MR. LAWRENCE: If you don't want to know
that you don't have to.

MR. ROSENBERG: I would say --- in my personal
opinion I believe a minimum of 10 per cent would cover
the commission and legal fees.

MR. LAWRENCE: A minimum of 10 per cent.
MR. ROSENBERG: Yes, on first mortgages.
MR. LAWRENCE: On first mortgages. At the
moment then you feel your own fees including the lawyer's
fees are below 10 per cent so you feel you are not
making enough money on the deal.

MR. ROSENBERG: It is not a matter of making
enough money, it is a matter of getting your
money in office, all the paper work and the other things
have to be paid. For the time being transaction is
completed I am lucky if I have 5 or 6 per cent on a

MR. LAWRENCE: Of course your overhead is



1 rule is higher than normal in a city of this size.

2 Are you the only one to your knowledge doing this phone
3 call business in Toronto?

4 MR. ROSENBERG: I believe there may be two
5 others, but I am not sure.

6 MR. LAWRENCE: Do you feel it is costing
7 you more money than, shall we say, the regular mortgage
8 brokers?

9 MR. ROSENBERG: Yes.

10 MR. LAWRENCE: Then why do you do it?

11 MR. ROSENBERG: Well, advertising in news-
12 papers and other forms of advertising --- becomes a
13 liability. Based on statements of two or three other
14 mortgage brokers they have a very, very severe problem
15 of cost and only the year results as it was agreed
16 originally in connection with charges.

17 MR. LAWRENCE: I thought you just said your
18 overhead was higher than the average.

19 MR. ROSENBERG: It is high, certainly, but
20 in order --- also in other ways, I could go ahead and
21 advertise probably in the Star or Telegram, Globe and
22 Mail in order to produce the same volume which ---
23 ---- (inaudible)

24 MR. LAWRENCE: It would cost just about as
25 much to advertise in the newspapers as it would be to
26 use a telephone.

27 MR. ROSENBERG: At least with the telephone
28 I employ maybe four or five girls who are gainfully
29 employed, with the newspapers somebody else

rule is higher than normal in a city of this size.

Are you the only one to your knowledge doing this work?

Well, business in Toronto?

MR. ROBINSON: I believe there may be two.

others, but I am not sure.

MR. LAWRENCE: Do you feel it is confined

to more money than usual, we say, the regular mortgage

business?

MR. ROBINSON: Yes.

MR. LAWRENCE: Then why do you do it?

MR. ROBINSON: Well, advertising in newspapers

and other forms of advertising -- because a

liability. Based on statements of two or three other

mortgage brokers they have a very, very severe problem

of cost and only the year ending as it was agreed

originally in connection with the charges.

MR. LAWRENCE: I thought you just said your

overhead was higher than the average.

MR. ROBINSON: It is high, certainly, but

in order -- also to other ways, I could be asked and

advertisers probably in the case of The Times, Globe and

Mail, therefore produce the same volume which --

(continued)

MR. LAWRENCE: It would cost just about as

much to advertise in our newspapers as it would be to

use a telephone.

MR. ROBINSON: As far as the telephone

I employ more men on five lines who are generally

employed, with the newspapers around this



1 MR. LAWRENCE: How long have you been in the
2 mortgage business?

3 MR. ROSENBERG: About ten years.

4 THE CHAIRMAN: Go ahead, Mr. Irwin.

5 MR. IRWIN: I find your comments, Mr.
6 Rosenberg, about the fact that if the effective rate of
7 interest were stated on the face of the mortgage form
8 that nonetheless people would still borrow money at
9 certain rates. I find this intriguing because -- have you
10 many experience on this ---

11 MR. ROSENBERG: Yes, sir.

12 MR. IRWIN: --- in this realm, area?

13 MR. ROSENBERG: I feel speaking on that, I
14 would say I see two or three hundred people a day and
15 if somebody wishes to borrow money, what they are
16 concerned about is --- there three prime concerns ---
17 do I need the money --- if I do, what is this money
18 going to cost me. Number three, what are the monthly
19 payments.

20 Apparently what has unfortunately happened,
21 I think in the last ten, twelve years, especially since
22 the Korean War, consumer financing of purchases was
23 being pushed over by sales persons, anybody that there
24 was.

25 ---- (inaudible)

26 MR. MacDONALD: As argued already, even
27 myself at that time not even given any consideration of charges
28 of the cost of borrowing money as long as they could
29 have that product.

MR. LAWRENCE: How long have you been in the

MR. ROSENBERG: About ten years.

THE CHAIRMAN: Go ahead, Mr. Law.

MR. LAWRENCE: I find your comments, Mr.

Rosenberg, about the fact that the relative rate of

interest were stated on the basis of the domestic loan

that nonetheless people would still borrow money at

certain rates. I find this interesting because -- have you

any experience on this --

MR. ROSENBERG: Yes, sir.

MR. ROSENBERG: I feel speaking on this, I

would say I see two or three hundred people a day and

if somebody wishes to borrow money, what they are

concerned about is -- there's about a 10% cost --

do I need the money -- if I do, what is this money

going to cost me. I mean, I mean, I mean, I mean, I mean

perhaps

I think in the last ten years, especially since

the Korean War, somewhat limiting of borrowing was

being pushed over by other factors, at least that there

wasn't a time when the interest rate was a consideration of itself

of the cost of borrowing money as long as they could

have that product.



1 MR. ROSENBERG: I would say that most
2 would be in the last two, two or three years, probably
3 at the most in my own opinion, where people have be-
4 come a little more conscious of the true cost of
5 borrowing money. But that doesn't stop them from
6 borrowing.

7 MR. BUKATOR: Mr. Rosenberg said that the
8 girls contact two or three hundred people a day on the
9 phone. How many, percentage-wise, how many customers
10 would you get from that effort?

11 MR. ROSENBERG: Well, what people we have
12 to reject, in my opinion, perhaps maybe one or three-
13 quarters of one per cent.

14 MR. BUKATOR: Is that right. Just about one
15 per cent. MR. ROSENBERG: Just about one per cent.

16 MR. BUKATOR: If a girl gets two or three
17 clients a day you feel that she is doing the job.

18 MR. ROSENBERG: Yes, sir.

19 MR. BUKATOR: You will reject quite a few?

20 MR. ROSENBERG: Yes, sir.

21 MR. BELANGER: I am interested, Mr. Chairman
22 and Mr. Bukator, the way they go about getting their
23 business.

24 MR. SEDGWICK: You said you had two or three
25 hundred calls -- the girls made two or three hundred
26 calls a day?

27 MR. ROSENBERG: Yes, sir.

28 MR. REILLY: Now, are these girls paid a
29 commission if they do get a customer or ---

30 MR. ROSENBERG: No. They are paid a salary.

MR. ROSENBERG: I would say that most

would be in the last two, two or three years, probably

of the most in my own opinion, where people have had

come a little more conscious of the time cost of

borrowing money. But that doesn't stop them from

MR. ROSENBERG: Mr. Rosenberg, said that the

girls contact two or three hundred people a day on the

phone. How many, percentage-wise, how many customers

would you get from that effort?

MR. ROSENBERG: Well, what people we have

to reject, in my opinion, perhaps maybe one or two

percent of one percent.

MR. ROSENBERG: Is that right?

MR. ROSENBERG: Just about one percent.

MR. ROSENBERG: Is a girl going out on three

clients a day you feel that and is doing the job?

MR. ROSENBERG: Yes, sir.

MR. ROSENBERG: How will we get that in a day?

MR. ROSENBERG: Yes, sir.

MR. ROSENBERG: I am interested in Mr. Rosenberg

and Mr. Bokor, the way they are about getting their

business.

MR. ROSENBERG: You said you had two or three

hundred calls -- the girls make two or three hundred

calls a day?

MR. ROSENBERG: Yes, sir.

MR. ROSENBERG: Now, one thing I am going to

comment on is that you get a commission on

MR. ROSENBERG: No, sir, you get paid a salary.



1 MR. REILLY: Paid a salary?

2 MR. ROSENBERG: Straight salary.

3 MR. REILLY: You give them a salary regard-
4 less if they produce or not?

5 MR. ROSENBERG: That is right.

6 MR. REILLY: And then are these calls made
7 only in Metropolitan Toronto or do you go outside of
8 Toronto?

9 MR. ROSENBERG: They go -- in Metropolitan
10 Toronto and outside of Toronto.

11 MR. REILLY: Outside of Toronto?

12 MR. ROSENBERG: Well, Metropolitan Toronto
13 --- if you say Toronto proper, will be Toronto proper
14 and the suburbs.

15 MR. REILLY: And this includes --- say,
16 Oshawa, or Hamilton or places like that?

17 MR. ROSENBERG: No. The cost of telephon-
18 ing would be very, very high you see.

19 MR. REILLY: Now, how do you follow afterwards.
20 I am interested in how you follow this afterwards.
21 Suppose you say that you get the person interested ---
22 they are interested. What procedure do you follow
23 after that?

24 MR. ROSENBERG: Well, the procedure would
25 be that the supervisor --- she would follow up in a
26 day or two, talk to either Mr. or Mrs. Jones, mentioning the fact that Mr. and Mrs. Jones were con-
27 tacted a few days ago, advising Mr. and Mrs. Jones that
28 we lend money, secured by mortgages and otherwise and
29 we also and suggest to them --- mind you this is only
30



MR. REILLY: Paid a salary.

MR. REILLY: You give them a salary, I understand.

Does it they produce or not?

MR. ROSENBERG: That is right.

MR. REILLY: And then you have other side.

only in Metropolitan Toronto on the other side of

MR. ROSENBERG: They are -- in Metropolitan

Toronto and outside of Toronto.

MR. REILLY: Outside of Toronto.

MR. ROSENBERG: Well, Metropolitan Toronto

--- if you say Toronto proper, will be Toronto proper

and the suburbs.

MR. REILLY: And that includes -- say,

Glebe, or Hamilton or places like that?

MR. ROSENBERG: No, the south of Hamilton --

ing would be very different from you say.

MR. REILLY: Now how do you follow along with

I am interested in how you follow this statement.

Suppose you say that you get the person interested --

they are interested. What procedure do you follow

after that?

MR. ROSENBERG: Well, the procedure would

be that the person -- the person would go to a

day or two, talk to them on the phone, then

mentioning the fact that the person was con-

acted a few days ago, saying Mr. and Mrs. Jones that

we had some, secured by the agency and otherwise and

we also and suggest to them -- and that is only



1 in brief form I am giving to you. If you want me to
2 go in detail I can give you in detail, but in brief
3 form, their object is to determine the loan ability
4 of that client. In other words, whether the client
5 had the equity to warrant a loan. And if they find they
6 did have the equity for that loan, it would be their
7 job to arrange an appointment for the party to come into
8 the office or either myself to attend at their home.
9 Which from then on,----

10 MR. REILLY: Well, is there any obligation
11 on the party itself after that?
12 MR. ROSENBERG: Oh, no.

13 MR. REILLY: Mr. Chairman, may I ask one
14 question more.

15 THE CHAIRMAN: Go ahead.

16 MR. REILLY: The girls that you hire, do
17 you provide them with a fixed patois, some line that
18 they have to use or do they rely on their own ingenuity?

19 MR. ROSENBERG: They have --- I won't say
20 it is a fixed pattern, but they do have a form of
21 pattern which they adapt to their own personality.

22 MR. REILLY: Do you have that with you?

23 MR. ROSENBERG: No, sir.

24 MR. REILLY: Could you supply us, to the
25 Committee, the form that is given to the girls which
26 they are to follow?

27 MR. ROSENBERG: Yes, sir.

28 MR. REILLY: It would be interesting to see
29 it.

30 MR. ROSENBERG: Yes.





1 MR. REILLY: Mr. Chairman, I want a little
2 confirmation, if I may. On the first mortgage your
3 present rate for the commission, for inspection fee,
4 and service combined is 10 per cent? Is that correct?
5 Or 9 per cent, six plus three if I ----

6 MR. ROSENBERG: Yes.

7 MR. REILLY: You suggest that a fair rate
8 would be 10 per cent?

9 MR. ROSENBERG: Yes, sir.

10 MR. REILLY: On your second mortgages, for
11 the same service, the existing rate is 16 per cent
12 including lawyer's fees?

13 MR. ROSENBERG: Yes, sir. I suggest a
14 tariff of 20.

15 MR. REILLY: And this applies to both first
16 and second mortgages on the basis of 12 per cent on the
17 actual mortgage?

18 MR. ROSENBERG: Yes, sir.

19 MR. REILLY: 12 per cent on the actual
20 mortgage in addition to this for both first and second
21 mortgages, Mr. Rosenberg?

22 MR. ROSENBERG: Well, the first would be
23 12. We generally charge 7-1/2, 7-1/4.

24 MR. REILLY: Generally 7-1/2 on the first.
25 12 on the second, is that right?

26 MR. ROSENBERG: Yes, sir.

27 MR. REILLY: The suggestion was made to this
28 Committee there is nothing to prevent you from doing
29 it yourself right now, is there?

30 MR. ROSENBERG: I am doing it now ----



MR. KELLEY: Now, Chairman, I want a little
confirmation, if I may. On the first mortgage, when
present rate for the constant, low maintenance fees
and service combined is 10 per cent? Is that correct?
Or 9 per cent, six plus three is 9 per cent?
MR. ROBINSON: Yes.
MR. KELLEY: Now suppose that a later rate
would be 10 per cent?
MR. ROBINSON: Yes.
MR. KELLEY: On your second mortgage, the
the same service, the existing rate is 10 per cent
including lawyer's fees?
MR. ROBINSON: Yes, sir. I suggest a
rate of 10.
MR. KELLEY: And this applies to both first
and second mortgages on the basis of 10 per cent on one
actual mortgage?
MR. ROBINSON: Yes, sir.
MR. KELLEY: Is that on the second
mortgage in addition to this for both first and second
mortgages?
MR. ROBINSON: Well, the 10 per cent is
10. We generally charge 10 per cent.
MR. KELLEY: Generally 10 per cent?
Is on the second, is that right?
MR. KELLEY: The suggestion was made to
Committee there is nothing to prevent you from doing
it yourself right now, is that
MR. ROBINSON: I am sorry it now --



1 MR. REILLY: If you want to extend it from
2 four to seven or seven and a half years or for the
3 length of the term ----

4 MR. ROSENBERG: Our first mortgage loans
5 are five, rather ten years fully amortized at the end
6 of ten years. In other words, the mortgage is the
7 same as the Smith case here. There is a case where
8 these people, where the application was for \$8,000.00,
9 the amount of money the Smiths received was \$7,280.00,
10 the \$8,000.00 was paid off in monthly instalments, and
11 these monthly instalments, which are graded, so that
12 at the end of ten years, the mortgage is fully paid up.

13 MR. REILLY: So you are not lending money
14 on a short term basis now?

15 MR. ROSENBERG: I never have, sir, no.

16 MR. REILLY: So you would try to do it
17 over a full length of time whatever the mortgage was
18 in existence?

19 MR. ROSENBERG: Definitely.

20 MR. REILLY: This is in your recommenda-
21 tions to the Committee?

22 MR. ROSENBERG: Yes, sir.

23 MR. SEDGWICK: May I ask a question, Mr.
24 Reilly. Are your first mortgages also amortized over
25 their term?

26 MR. ROSENBERG: Yes, sir.

27 MR. SEDGWICK: Whatever that term may be?

28 MR. ROSENBERG: Yes, sir.

29 MR. IRWIN: What is the monthly rate on
30 that \$8,000.00 first?



MR. BELLEVILLE: If you want to extend it from

four to seven or seven and a half years or for the
length of the term ----

MR. ROSENBERG: Our first mortgage loans
are five, rather ten years fully amortized at the end
of ten years. In other words, the mortgage is the
same as the Smith case here. There is a case where
these people, where the application was for \$10,000.00,
the amount of money the Smith received was \$7,000.00,
the \$3,000.00 was paid off in monthly installments, and
these monthly installments, which are graduated, so that
at the end of ten years the mortgage is fully paid up.
MR. BELLEVILLE: So you are now lending money

on a short term basis now?
MR. ROSENBERG: I would have, say, ten

MR. BELLEVILLE: Is that so in the 60 to
over a full length of time whatever the mortgage was
in existence?

MR. ROSENBERG: Indirectly.
MR. BELLEVILLE: That is in your memorandum?

tion to the Committee.
MR. ROSENBERG: Yes, sir.

MR. BELLEVILLE: Let me ask a question, Mr.
Belleville. Are your first mortgages also amortized over
their term?

MR. ROSENBERG: I would have, say, ten

MR. BELLEVILLE: What is the monthly rate on

of interest



1 MR. ROSENBERG: The monthly payment that is?

2 MR. IRWIN: What is the fellow paying?

3 MR. ROSENBERG: \$97.39 a month.

4 MR. IRWIN: What would be the monthly
5 payment on the hypothetical \$2,000.00 loan --- second
6 mortgage that is.

7 MR. ROSENBERG: \$2,045.00 --- \$55.25 a
8 month for 16 months.

9 MR. IRWIN: \$55.25 --- how many months?

10 MR. ROSENBERG: 16 months.

11 MR. REILLY: That would be the \$2,500.00,
12 would it, Mr. Irwin? You would lend \$2,045.00? I
13 think this is the payment you would get on the \$2,500.00,
14 is it not?

15 MR. ROSENBERG: (inaudible)

16 MR. REILLY: One of the things I was
17 mentioning that this was the worst point of usury
18 brought out, and I would like to suggest there is one
19 finance company which is much higher in the effective
20 rate of interest than our company has ever been.

21 MR. MacDONALD: Just one?

22 MR. ROSENBERG: One that I know of.

23 --- (laughter)

24 MR. ROSENBERG: Much higher.

25 MR. WHITE: Whocare they, Mr. Rosenberg?

26 MR. REILLY: What is the name of that
27 company?

28 MR. ROSENBERG: Well, I would suggest you
29 search a few transactions from Superior Finance Company.
30 I have seen some of their cases which have 26.8 per



MR. ROSENBERG: The monthly payment that is?

MR. IRWIN: What is the total payment?

MR. ROSENBERG: \$27.50 a month.

MR. IRWIN: What would be the monthly payment on the hypothetical \$2,000.00 loan -- second mortgage that is.

MR. ROSENBERG: \$2,000.00 -- \$27.50 a month for 16 months.

MR. IRWIN: \$27.50 -- how many months?

MR. ROSENBERG: 16 months.

MR. REILLY: That would be the \$2,000.00 would it, Mr. Irwin? You would lend \$2,000.00. I think this is the payment you would get on the \$2,000.00 is it not?

MR. ROSENBERG: (overlaid)

MR. REILLY: One of the things I was mentioning that this was the worst point of view brought out, and I would like to suggest there is one finance company which is much better in the rate of interest than our company has ever been.

MR. MACDONALD: Overlaid.

MR. ROSENBERG: One that I know of.

MR. ROSENBERG: What business?

MR. REILLY: What is the name of that?

MR. ROSENBERG: I have seen some of their cases which show a few transactions from inception.



1 cent effective rate of interest.

2 MR. WHITE: On real estate?

3 MR. ROSENBERG: Yes, sir.

4 MR. MacDONALD: Are they the only one that
5 you know of that is higher than yours?

6 MR. ROSENBERG: I know of a few others, ---
7 I wouldn't want to disclose the names, sir, because I
8 am not too sure of these facts. Anything I say I want
9 to substantiate with evidence.

10 MR. MacDONALD: You are of the facts in the
11 instance of Superior?

12 MR. ROSENBERG: Yes, sir.

13 MR. MacDONALD: I wonder if I may ask one
14 question. In the case, this is the Smith case, the first
15 one that Mr. Sedgwick brought up, why did you cancel it
16 when it was drawn to your attention by the Department
17 of Insurance?

18 MR. ROSENBERG: First of all, sir, first
19 prior it was even drawn to the attention of the Depart-
20 ment, the Department of Insurance and our company had
21 some severe disagreements in which case we went and
22 held what is called an informal hearing, an informal
23 discussion. The arrangement having been made at the dis-
24 cussion was that we were not to procure on these
25 abortive transactions which we had undertaken not to do
26 so. I believe was back about last January, and since
27 that time we have not procured against any abortive
28 transactions.

29 MR. MacDONALD: In other words, when the
30 prospective client in effect bows out, what stage can



Q. Now, what is the name of the person who was with you at the time of the hearing?

A. Mr. MacDonald. He was the only one there.

Q. You know of that is higher than yours?

A. Mr. ROSENBERG: I know of a few others.

Q. I wouldn't want to disclose the names, sir, because I am not too sure of these facts. Anything I say I want to substantiate with evidence.

A. Mr. MacDonald. You are of the fact in the

instance of Superior?

A. Mr. ROSENBERG: Yes, sir.

A. Mr. MacDonald: I wonder if I may ask one

question. In the case, this is the Smith case, the first one that Mr. Seligson brought up, why did you cancel it when it was drawn to your attention by the Department of Insurance?

A. Mr. ROSENBERG: First of all, sir, that

prior it was even drawn to the attention of the Department, the Department of Insurance and our company had some severe disagreements in which case we went and held what is called an informal hearing, an informal discussion. The arrangement having been made, the question was that when we were to proceed on these

abortive transactions which we had undertaken not to do so. I believe was back about last January, and since

What steps can



1 they bow out?

2 MR. ROSENBERG: Well, they can bow out ---
3 I would be inclined to say they could bow out up until
4 the time they sign the mortgage documents.

5 MR. MacDONALD: Up until they sign it?

6 MR. ROSENBERG: Yes.

7 MR. MacDONALD: And you don't sue for the
8 fees?

9 MR. ROSENBERG: No, sir.

10 MR. LAWRENCE: Well, the Department really
11 has no legal jurisdiction over yours. It is purely a
12 matter of persuasion?

13 MR. ROSENBERG: Well, let me put it this
14 way, in the matter of legal opinions it would have been
15 a very involved and very costly a matter in order to
16 seek a proper court judgment in this situation.

17 MR. LAWRENCE: Oh.

18 MR. ROSENBERG: Rather than go through this
19 type of cost --- it is just a matter of compromise.
20 They were willing to compromise so we thought we should
21 compromise.

22 MR. REILLY: In other words, you probably
23 went to court if the case couldn't have been deemed
24 unconscionable.

25 MR. ROSENBERG: No. That is not so.

26 MR. REILLY: Then why did you bow out?
27 Your licence I suppose?

28 MR. ROSENBERG: Yes, sir, that is right.

29 MR. REILLY: They would threaten you with
30 that in mind?



they bow out?

MR. ROSENBERG: Well, they can bow out --

I would be inclined to say they can bow out up until

the time they sign the mortgage documents.

MR. MACDONALD: Up until then sign the

MR. MACDONALD: And you don't see how the

MR. ROSENBERG: No, sir.

MR. LAWRENCE: Well, the Department really

has no legal jurisdiction over you. It is your

matter of consent.

MR. ROSENBERG: Well, but we put it down

MR. LAWRENCE: Oh,

MR. ROSENBERG: Then you go through the

type of cost -- is it just a matter of consent?

They were willing to compromise so we thought we should

compromise.

MR. REID: In other words you proposed

went to court if the case couldn't be settled?

MR. ROSENBERG: Yes, that is what I

MR. REID: Then why did you not go

MR. REID: Then why did you not go

MR. REID: Then why did you not go



1 MR. ROSENBERG: Yes, sir.

2 MR. REILLY: Mr. Chairman, I wonder if
3 Mr. Rosenberg would like to -- would be able to tell
4 us whether some of the rates by other lending institutions
5 similar to his own; if he charges nine per cent
6 including legal fees on first mortgages, and sixteen
7 per cent including legal fees on second mortgages
8 do you know what other competitive firms charge for
9 similar service?

10 MR. ROSENBERG: No sir.

11 MR. REILLY: You don't?

12 MR. ROSENBERG: I know -- let me put it
13 this way: Rumour and talk, yes sir, but I couldn't
14 substantiate that.

15 MR. REILLY: It would be higher or lower?

16 MR. ROSENBERG: Well, I can tell you this
17 much. I know one particular firm that charged about
18 29 per cent interest on a thousand dollar second
19 mortgage, for which we could have gotten the same
20 thing for as low as 21 per cent.

21 MR. MacDONALD: So that there are some
22 firms in competition who are charging more.

23 MR. ROSENBERG: Pardon?

24 MR. MacDONALD:

25 MR. ROSENBERG: Well, for example charging
26 29 per cent on a thousand dollar second mortgage which
27 is a direct violation of The Small Loans Act, which I
28 have never done. And, I can prove with documents . . .

29 MR. WHITE: You are a liar, Mr. Rosenberg.
30 Pardon me -- I am here.



MR. ROSENBERG: Yes, sir.

MR. REILLY: Mr. Chairman, I wonder if

Mr. Rosenberg would like to -- would he like to tell

us whether some of the rates of other lending institutions

similar to his own; if he charges nine per cent

including legal fees on first mortgages, and sixteen

per cent including legal fees on second mortgages

do you know what other competitive rates charge for

similar services?

MR. ROSENBERG: No, sir.

MR. REILLY: Yes, sir.

MR. ROSENBERG: I know -- let me put it

this way: Rumors are going out, you said, that I wouldn't

substantiate that.

MR. REILLY: It would be better to know

MR. ROSENBERG: Well, I can tell you this

much. I know one particular firm that charges about

29 per cent interest on a fifteen dollar second

mortgage, for which we could not get the first

thing for as low as 21 per cent

MR. MASONBACH: Do that mean you said

there is competition and are charging more.

MR. REILLY: Yes.

MR. MASONBACH:

MR. ROSENBERG: Well, for example charging

29 per cent on a thousand dollar second mortgage when

is a first mortgage is only 21 per cent.

Now, I am not saying that I am not

able to get a first mortgage for 21 per cent.

But I am here.



(Laughter.)

MR. ROSENBERG: That's all right.

MR. WHITE: You are a liar.

MR. ROSENBERG: Let me prove it -- let me prove -- I can prove it. I'll let you prove it.

MR. WHITE: You are a liar.

MR. MacDONALD: But in any event, Mr. Rosenberg, a complaint as you understand it has never been made against you as far as our own administration of our own Act is concerned, in part has only been on this so-called type question of the practice of the phone.

MR. ROSENBERG: Well, what do they mean by high pressure tactics?

MR. MacDONALD: Well, the phoning gimmick. And asking the angle of the people who make complaints of the difficult ones.



(S...)

MR. WHITE: You are a liar.

MR. ROSENBERG: Let me prove it -- I'll prove it.

MR. WHITE: You are a liar.

MR. ROSENBERG: Let me prove it -- I'll prove it.

MR. WHITE: You are a liar.

MR. MACDONALD: But in any event

never been made against you as far as our own Government

tion of our own Act is concerned, in fact has only

been on this subject

of the Government

MR. ROSENBERG: Well, what do they mean

by high treason?

MR. MACDONALD: Well, the phrase is

And asking the rights of the people who were

of the Government



1 MR. ROSENBERG: This unfortunately happens
2 to be with the aggressive businessman. I also believe
3 in the theory if the mountain won't come to Mohammed,
4 then Mohammed must go to the mountain.

5 MR. BELANGER: That is very, very true.

6 MR. ROSENBERG: And I think if I am going
7 to sit back at my desk like somebody sits at King and
8 Yonge, I am going to find myself with thirty-five or
9 forty thousand dollars worth of judgments and executions.

10 MR. BELANGER: Did you make the comment
11 earlier when the question was at to why you sue to get
12 your fee when you hadn't completely executed you loan,
13 that it wasn't your business, so to speak.

14 MR. ROSENBERG: If was their business.

15 MR. BELANGER: In effect you have gone out
16 and with your experteers because obviously you are in
17 this game for ten years and you have picked up a few
18 tricks of the trade.

19 MR. ROSENBERG: It is conceivable ---

20 MR. BELANGER: It is your business. You
21 created the appetite for the loan and ----

22 MR. ROSENBERG: Shoved them into it?

23 MR. BELANGER: Lead them into it.

24 MR. ROSENBERG: Not shoved, lead.

25 MR. BELANGER: Shoved.

26 MR. ROSENBERG: I see.

27 ---- (Inaudible)

28

29

30



to be with the aggressive businessmen. I also believe
in the theory if the mountain won't come to Mohammed,
then Mohammed must go to the mountain.

MR. BELMONT: That is very, very good.

MR. ROSENBERG: And I think I am going

to sit back at my desk like somebody else at King and
Yonge, I am going to find myself with thirty-five or

forty thousand dollars worth of judgments and executions.

MR. BELMONT: Did you make the comment

earlier when the question was as to why you had to give
your fee when you hadn't completely executed your loan,
that it wasn't your business, so to speak.

MR. ROSENBERG: It was their business.

MR. BELMONT: In effect you have gone out

and with your experience become obviously you are in
this game for ten years and you have picked up a few

MR. ROSENBERG: It is a profitable --

MR. BELMONT: Little your business. You

created the appetite for the loan and --

MR. ROSENBERG: Should show into it?

MR. BELMONT: Based upon it?

MR. ROSENBERG: Not much of a lead.

MR. BELMONT: Indeed.

MR. ROSENBERG: I see.



1 THE CHAIRMAN: Have you any other questions,
2 gentlemen?

3 MR. BELANGER: I have some questions here,
4 Mr. Chairman.

5 --- (inaudible)

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THE CHAIRMAN: Have you any other questions?

(Continued)

MR. [Name]: I have some questions here.

MR. [Name]

(Amendable)

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1 MR. REILLY: Now, what I was trying to
2 find out, Mr. Chairman, before was whether there was
3 any set pattern as far as the rates were concerned
4 among the mortgage brokers for this service, and Mr.
5 Rosenberg doesn't know of any existing pattern of the
6 charges.

7 MR. ROSENBERG: No, the reason I said that
8 --- I know some are probably lower than we are and some
9 are a little higher than we are. Those transactions
10 that were arranged and fell through are such that at
11 the end of the term these people are completely out of
12 debt.

13 MR. REILLY: Yes, I realize that.

14 MR. ROSENBERG:



MR. REILLY: Now, what I was trying to

any set pattern as far as the notes were concerned

Rosenberg doesn't know of any existing pattern of the

MR. ROSENBERG: No, the reason I said that

--- I know some are probably lower than we are and some

are a little higher than we are. These transactions

that were arranged and fell through are such that at

the end of the term these people are completely out of

debt.

MR. REILLY: Yes, I realize that.

MR. ROSENBERG:



Now, let us look at another case where a lady goes to a broker and he talks them into borrowing, say, for \$200.00 less than we would charge. Well, let's take the nominal charge of \$200.00, that may be charged on the usual second mortgage, say, \$2,500.00.

Now, we also have the fact that this man is paying interest at 12 per cent but his principal balance would not reduce nearly as fast as under our transactions. So therefore we can figure on his balance it works out to, I would say about 10 per cent over the years, another 50 per cent, that's five years, at 50 per cent of the \$2,500.00, which is another \$1,250.00. So in effect that broker is costing that borrower \$1,450.00. It doesn't matter whether that was money obtained by way of fees or to be paid by way of mortgages charges a lower fee than us in all probability you have to look into how the mortgage is drawn up, how that mortgage is set up in payments, at the end of the term.

MR. MacDONALD: May I ask you a general question, Mr. Rosenberg. Which do you think is preferable if this whole field with the general consensus the way is that there must be more regulation in it. That the regulations should be imposed, if I may use that word, by government or that it be done by within the trade organization?

MR. ROSENBERG: Well, my opinion would be I think that if regulations could be set up in proper



Now, let us look at another

case where a lady goes to a broker and he talks them
into financing her for \$200.00 less than she
would charge. Well, let's take the nominal charge of
\$200.00, that may be charged on the usual second

mortgage, say 10 per cent.

Now, we also have the fact that this man

is paying interest at 12 per cent but his principal

balance would not reduce nearly as fast as

under our transactions. So therefore we can figure on

this balance it works out to, I would say

about 10 per cent over the years, another 50 per cent,

that's five years, at 50 per cent of the \$2,500.00.

which is another \$1,250.00. So in effect that program

is costing that borrower \$1,450.00. It doesn't matter

whether that was money obtained by way of fees or so

be paid by way of mortgages

charges a lower fee than as in all probability you have

to look into how the mortgage is drawn up, how that

mortgage is set up in payment.

at the end of the term.

MR. MACDONALD: Now I am just a general

question, Mr. Rosenbergs. Would you think it pro-

ferable if this whole field with the general companies

the way is that there must be some regulation in it.

That the regulations should be imposed, if I may say

that word, by government or that it be done by

the industry itself.

MR. ROSENBERG: That is a question

I think that if negotiations could be set up in the industry



1 form, the proper framework, then I think the government
2 should be the one that does the policing. But if they
3 want to police the mortgage broker industry, well I
4 believe, they will have to police simultaneously all other
5 forms of lending in order to make it effect and to
6 create the results to the public. Only one form of
7 lending is not going to do the job

8 MR. MacDONALD: You had a number of construc-
9 tive proposals that you made at the outset. What is your
10 reason for not becoming a member ---- when the Mortgage
11 Brokers' Association --- was it you who found out that
12 relatively small percentages of the brokers in the field
13 are members of the Association? What is your personal
14 reason for not becoming a member or seeking this kind of
15 federation through that organization?

16 MR. ROSENBERG: Well, I feel I don't have to
17 hide behind a cloak of respectability, sir. I think the
18 truth will come out in time.

19 MR. LAWRENCE: You are suggesting the Mortgage
20 Brokers' Association is a cloak of respectability?

21 MR. ROSENBERG: It's part of it. My trans-
22 actions are in the open. They can be critized. It's a
23 free country. I know what it costs us to operate. It is
24 not case where a company earns a fast buck profit. That
25 is entirely different.

26 MR. LAWRENCE: --- we are trying to find out
27 here.

28 MR. ROSENBERG: I wish I could invest as fast
29 as that.



1 Then, the proper framework, then I think the Government
2 should be the one that does the lending. But it may
3 want to police the money market, and I
4 believe they will have to police it. I think it is
5 forms of lending in order to make it efficient and to
6 create the results for the public. Only one form of
7 lending is not going to do the job.

8 MR. McDONALD: You had a number of companies
9 that were in the money market, and I think
10 that the Government is going to have to police
11 the money market. I think it is going to be
12 relatively easy to police the money market, and I think
13 and members of the Association. What is your personal
14 reason for not becoming a member or seeking this kind of
15 representation through the Association?

16 MR. ROSENBERG: Well, I feel I don't have to
17 ride behind a checkbook-respectability, and I think the
18 truth will come out in time.

19 MR. LAWRENCE: You are suggesting the Government
20 should police the money market.

21 MR. ROSENBERG: I am part of it. We have
22 actions are in the open. They can be criticized. It is a
23 free country. I know what it costs us to operate. It is
24 not case where a company earns a fair profit. That
25 is entirely different.

26 MR. LAWRENCE: ... we are trying to find out

27 MR. ROSENBERG: ... which I would have to find



1 MR. LAWRENCE: Well, I don't know.

2 MR. ROSENBERG: I'll tell you what we will
3 do. Are you willing to subsidize me? If you want to
4 subsidize me you might have to come and look at my books.

5 MR. LAWRENCE: Why would we have to subsidize
6 you to look at your books?

7 MR. ROSENBERG: Well, I am just saying that
8 the company right now is not operating at a profit at all.
9 Just making things meet.

10 THE CHAIRMAN: Any further questions.

11 MR. LAWRENCE: Yes, I was speaking about legal
12 fees

13 MR. ROSENBERG: On second and first is it
14 usual to pay 2 per cent to your lawyer.

15 MR. ROSENBERG: The central idea, yes, sir.

16 MR. LAWRENCE:

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MR. LAWRENCE: Well, I want to know

MR. LAWRENCE: Tell me, what do you

Q Are you willing to subsidize me? If you want to

A Subsidize me, right? Yes, I want to know

MR. LAWRENCE: Why would we have to subsidize

Q You to look at your books?

MR. ROSENBERG: Well, I am just saying that

A The company right now is not operating at a profit at all.

Q Just saying things need.

THE CHAIRMAN: The witness is finished.

MR. LAWRENCE: Yes, I was speaking about losing

Q On second and first is it

usually to pay 2 per cent to your lawyer.

MR. LAWRENCE:



1 MR. LAWRENCE: Now, as far as you are
2 concerned this is a separate legal fee?

3 MR. ROSENBERG: Yes, sir

4 MR. LAWRENCE: For first mortgage?

5 MR. ROSENBERG: ---not a finder's fee.

6 MR. LAWRENCE: Well, does that include ---

7 MR. ROSENBERG: It must be a finder's fee.

8 That is his fee, sir.

9 MR. LAWRENCE: The finder's fee as I under-
10 stand it in the trade is one that goes to the one that
11 picked up the money. Now, in this case, aren't you the
12 one to get the money?

13 MR. ROSENBERG: (inaudible)

14 MR. LAWRENCE: Well do you mean --- how are
15 most of your mortgages taken. Are they taken in the name
16 of your company?

17 MR. ROSENBERG: Second mortgages are, yes,
18 sir.

19 MR. LAWRENCE: Now, let's just deal with the
20 first mortgages, sir.

21 MR. ROSENBERG: Yes.

22 MR. LAWRENCE: Does Mr. Croll find them for
23 you?

24 MR. ROSENBERG: He has his clients, yes.

25 MR. LAWRENCE: I see.

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MR. LAWRENCE: Now, as far as you are

concerned this is a separate legal fee?

MR. ROSENBERG: Yes, sir.

MR. LAWRENCE: For these mortgages?

MR. ROSENBERG: -- not a Finder's fee.

MR. LAWRENCE: Well, does that include --

MR. ROSENBERG: It must be a Finder's fee.

That is his fee, sir.

MR. LAWRENCE: The Finder's fee as I under-

stand it in the trade is one that goes to the one that

picked up the money. Now, in this case, didn't you say

one to get the money?

MR. ROSENBERG: (Inaudible)

MR. LAWRENCE: Well do you mean -- no, for one

most of your mortgages taken. Are they taken in the same

of your company?

MR. ROSENBERG: Second mortgage, yes, yes.

MR. LAWRENCE: Now, let's just go on to the

MR. LAWRENCE: Now, let's just go on to the

MR. ROSENBERG: Besides this company, yes.

MR. LAWRENCE: I see.



1 MR. LAWRENCE: How many applications did
2 this person file?

3 MR. ROSENBERG: ----
4 --- (inaudible)

5 THE CHAIRMAN: We are not hearing very well.
6 Speak up a bit.

7 MR. ROSENBERG: In effect we look over the
8 application and then you would say, fine, I have a client
9 for this.

10 MR. LAWRENCE: Yes.

11 MR. ROSENBERG: He secures a client, probably
12 writes --- perhaps either a phone call or writes his
13 client, and he gets authority to sign, to go ahead with
14 the transaction. The mortgage is drawn up, signed by
15 the mortgagee, the borrowers name and the mortgage broker.

16 MR. LAWRENCE: These are first mortgages?

17 MR. ROSENBERG: And when you get the money
18 from Mr. Croll you give it --- well, I mean it comes
19 from his office.

20 MR. LAWRENCE: And 3 per cent of that is
21 deducted as a flat fee for the mortgage broker?

22 MR. ROSENBERG: Yes.

23 MR. LAWRENCE: You are not sure whether this
24 is broken down between finder's fee, legal fees or what
25 you call it

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MR. LAWRENCE: Now many applications did

this person file?

(Inaudible)

THE CHAIRMAN: We are not dealing very well.

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the transaction. The mortgage is drawn up, signed by

the mortgagee, the borrower signs and the mortgage is

MR. LAWRENCE: I have the first mortgage?

MR. ROSENBERG: And when you get the money

from Mr. Orell you give it --- well, I mean it comes

from his office.

MR. LAWRENCE: And I get some of that is

deducted as a flat fee for the mortgage broker?

MR. ROSENBERG: Yes.

MR. LAWRENCE: You are not sure whether this

is broken down between finder's fee, legal fees or what

you call it



1 MR. LAWRENCE: In other words, Mr. Croll
2 finds for you all first mortgages, the moneys you desire
3 and need.

4 MR. ROSENBERG: Yes.

5 MR. LAWRENCE: Now what percentage of your
6 business is first mortgages?

7 MR. ROSENBERG: Well ---

8 MR. LAWRENCE: Well it is half, a third, or
9 what is it?

10 MR. ROSENBERG: About a third

11 MR. LAWRENCE: Now, the vast majority of
12 your moneys advanced are on second mortgages?

13 MR. ROSENBERG: Yes.

14 MR. LAWRENCE: Now are you still dealing
15 with Mr. Croll exclusively on seconds?

16 MR. ROSENBERG: I did at one time.

17 MR. LAWRENCE: You did at one time? Now
18 this is sort of the reversed situation. As I understand
19 it the lawyer on the second merely gets fifty bucks.

20 MR. ROSENBERG: That's right, because I
21 produce my own clients.

22 MR. LAWRENCE: I see, so there is no finder's
23 fee there, or if there is it's you.

24 MR. ROSENBERG: Yes, sir.

25 MR. LAWRENCE: Which is included your 15
26 per cent.

27 MR. ROSENBERG: That's right.

28 MR. LAWRENCE: And you deal with other
29 lawyers in various seconds other than Mr. Croll?

30 MR. ROSENBERG: Yes, sir, I do. Two or three.



MR. LAWRENCE: In other words, Mr. Goff

finds for you all first mortgages, the money you desire
and need.

MR. ROSENBERG: Yes.

MR. LAWRENCE: Now what percentage of your

business is first mortgages?

MR. ROSENBERG: Well ---

MR. LAWRENCE: Well it is half, a third, or

what do you

MR. ROSENBERG: About a third.

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MR. LAWRENCE: You did at one time? You

this is sort of the reversed situation. As I understood

it the lawyer on the second merely gave the money.

MR. ROSENBERG: That's right, because I

produce my own clients.

MR. LAWRENCE: I see, so there is no financial

fee there, or if there is it is your

MR. ROSENBERG: Yes.

MR. LAWRENCE: Which is I should say is

not true.

MR. ROSENBERG: Yes.

MR. LAWRENCE: And you deal with other

business in various second other than Mr. Goff?

MR. ROSENBERG: Yes.

MR. LAWRENCE: Yes.



1 MR. LAWRENCE: And does that include certain
2 legal disbursements or is that a straight fifty bucks.

3 MR. ROSENBERG: It includes the disbursements,
4 yes, except the discharges of the previous money.

5 MR. LAWRENCE: Yes.

6 MR. ROSENBERG: Preparation for the discharge
7 of previous money.

8 MR. LAWRENCE: This 16 per cent that you
9 charge on second mortgages, is your fee for the
10 commission and other costs --- is that less the fifty
11 bucks or does that include it?

12 MR. ROSENBERG: That includes the fifty bucks,
13 yes, sir.

14 MR. LAWRENCE: Straight fee on seconds?

15 MR. ROSENBERG: Yes.

16 MR. LAWRENCE: How do you break down that
17 16 per cent as far as you are concerned? As far as
18 finder's, commission fees, service charges or what?

19 MR. ROSENBERG: --- (inaudible)

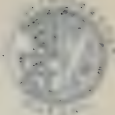
20 MR. LAWRENCE: Just can you give it to us
21 roughly? What do you figure you are entitled to as a
22 finder's fee, 1 per cent, 2 per cent, 3 per cent?

23 MR. ROSENBERG: --- (inaudible)

24 MR. MacDONALD: --- I mean the finder's fee,
25 it is so hard to determine the difference from one fee
26 to another. The finder's fees, commission, or service
27 charges, bonus or discounts.

28 MR. IRWINBERG: You have 16 per cent on
29 second mortgages.

30 MR. ROSENBERG: Yes, now let's



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4 Yes, except the discharges of the previous money.
5 MR. LAWRENCE: Yes.
6 MR. ROSENBERG: Preparation for the discharge
7 of previous money.
8 MR. LAWRENCE: This is per cent that you
9 change on second mortgages, is your fee for the
10 commission and other costs --- is that from the fifty
11 bucks or does that include it?
12 MR. ROSENBERG: That includes the fifty bucks.
13 Yes, sir.
14 MR. LAWRENCE: Straight fee on second?
15 MR. ROSENBERG: Yes.
16 MR. LAWRENCE: How do you break down that
17 16 per cent as far as you are concerned? As far as
18 finder's, commission fees, service charges or what?
19 MR. ROSENBERG: --- (inaudible)
20 MR. LAWRENCE: Just can you give it to me
21 roughly? What do you figure you are entitled to as a
22 finder's fee, 1 per cent, 2 per cent, 3 per cent?
23 MR. ROSENBERG: --- (inaudible)
24 MR. LAWRENCE: --- I want the finder's fee,
25 it is so hard to determine the difference from one fee
26 to another. The finder's fees, commission, or service
27 charges, bonus or discounts.
28 MR. ROSENBERG: You have 16 per cent on



1 MR. IRWIN: It all adds up to the same ----

2 MR. ROSENBERG: It works out to 16.2, yes.

3 MR. MacDONALD: 16.2?

4 MR. ROSENBERG: That's right.

5 MR. SEDGWICK: Fifty bucks for the lawyer
6 you know.

7 MR. LAWRENCE: You just take the straight
8 16, you don't break it down in any way?

9 MR. ROSENBERG: (inaudible)

10 MR. LAWRENCE: When the suggestion was made
11 about the straight fee to the representatives that we
12 had before us the last time, Mr. Greenaway, there was
13 a little bit of demerrence on his part that it wouldn't
14 be quite the right thing as far as attendance fee is
15 concerned, in that some mortgage transactions a lot more
16 work goes into them than other transactions, but you
17 presumably do charge a straight 16 per cent fee on all
18 second mortgages, you found what you lose on one you
19 gain on another. Is that it?

20 MR. ROSENBERG: That's right.

21 MR. IRWIN: You gather together second
22 mortgage money. This is in effect --- if I have money
23 to put in second mortgages and willing to place it with
24 you, what percentage would you pay me?

25 MR. ROSENBERG: 12 per cent.

26 MR. IRWIN: Mr. Rosenberg, do you have any
27 experience that would indicate in actual fact not in
28 theory, but in fact, the greater incidence of loss in
29 relation to second mortgages as opposed to first, and
30 therefore justify the increase to 16 per cent, or some



MR. IRWIN: It all adds up to the same --

MR. ROSENBERG: It works out to 10.2, yes.

MR. IRWIN: Yes.

MR. ROSENBERG: Yes.

MR. SEDGWICK: Fifty bucks for the lawyer.

You know.

MR. LAWRENCE: You just take the receipt.

Id, you don't break it down in any way?

MR. ROSENBERG: (Inaudible)

MR. LAWRENCE: When the negotiation was made

about the structure of the corporation, there was

had before us the last time, Mr. Greenway, there was

a little bit of deference on his part that it would be

be quite the right thing as far as attendance was

concerned. In that some mortgage transactions a lot more

work goes into them than other transactions, but you

presumably do charge a straight 10 per cent fee on all

second mortgages, you found what you lose on one you

gain on another. Is that right?

MR. ROSENBERG: That's right.

MR. IRWIN: You mean, if you have a second

mortgage money. This is the point -- if I have money

to put in second mortgage and nothing to place it with

you, what percentage would you pay me?

MR. ROSENBERG: 10 per cent.

MR. IRWIN: In that case, do you take any

experience that would indicate an actual fact not in

theory, but in fact, the greater incidence of loss in

relation to second mortgages as opposed to first, and

therefore justify the increase to 10 per cent, on some



1 per cent as an ideal rate. In other words there would
2 seem to be, off hand, as much work in processing and
3 accounting for a first mortgage as for a second, to
4 balance, the difference must be due to a risk factor.
5 Is that right?

6 MR. ROSENBERG: It is not only part of ---
7 it is not only the risk factor, it also lies in the fact
8 that the interest rate may be higher too, but the second
9 mortgagee must at all times be ready to redeem the first
10 mortgage in order to protect the second mortgage.
11 Therefore he must have a certain --- so he must have a
12 certain percentage liquid at all times and being liquid
13 returns a very very small rate of return of interest.
14 So the difference being charged on the second mortgage
15 ---- 10 to 15 per cent.

16 MR. SEDGWICK: Well, I was going to ask you
17 a question along those lines. You take no risks so why
18 should you charge 15 per cent on seconds and a much
19 lesser per cent on firsts. You as a broker take no risk.

20 MR. ROSENBERG: Take a credit risk.

21 MR. MacDONALD: Well, don't you assign the
22 mortgage right in?

23 MR. ROSENBERG: Well, certainly, yes,
24 generally speaking ----

25 MR. SEDGWICK: You assign virtually all of
26 them, don't you?

27 MR. ROSENBERG: Yes.

28 MR. SEDGWICK: So that ----

29 MR. ROSENBERG: It's the same difference
30 whether you assign it or borrow against the mortgage.



THE COURT IN THE MATTER OF THE ESTATE OF JAMES H. HARRIS

then to be, off hand, as much work in processing and

computing (as a direct result of the fact that the

balance, the difference must be due to arithmetic factors.

Is that right?

MR. ROSENBERG: It is not only part of --

it is not only the risk factor, it also lies in the fact

that the interest rate may be higher too, but the amount

mortgages must at all times be ready to redeem the first

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MR. ROSENBERG: Take a credit risk.

MR. MACDONALD: Well, don't you see that

mortgage right in?

MR. ROSENBERG: Well, certainly, yes.

generally speaking ----

MR. BEDFORD: You assign virtually all of

MR. ROSENBERG: Yes.

MR. BEDFORD: No, not ----

MR. ROSENBERG: It is, as some difference



1 MR. SEDGWICK: So ordinarily you assign them.

2 MR. ROSENBERG: That's right.

3 MR. SEDGWICK: Yes. So you take no risk in
4 those cases?

5 MR. ROSENBERG: There is not too much risk.

6 MR. SEDGWICK: There isn't any, the lender
7 takes all the risk.

8 MR. ROSENBERG: (inaudible).

9 MR. SEDGWICK: That's right. I am not
10 suggesting whether it is good or bad, it is not for me
11 to say but it would almost seem that this differential
12 in the rates
13 call the ideal rate 10 per cent on first and 20 per cent
14 on seconds. It is related more to what the traffic will
15 bear, isn't it?

16 MR. ROSENBERG: No. I feel actually that
17 you spend a lot of time, you work --- I know in my case
18 I am at the office from about ten after nine, half past
19 nine in the morning, I am never through until half past
20 ten, eleven o'clock, four or five nights a week. I think
21 if a broker is doing his job he is going to be out day
22 and night, inspections, appraisals. I think because of
23 that the broker should be entitled to a fair deal which
24 a dentist is charging, go to a dentist for ten or fifteen
25 minutes and get a bill for \$3.00.

26 MR. LAWRENCE: Well, I am not going into
27 that. I suppose usually in finding the reasons for
28 difference in level of tariff from one customer as
29 opposed to another, it doesn't seem to have been developed
30 any basis



MR. SEDGWICK: Yes, it is the same as this is

MR. ROSENBERG: There is no too much right.

MR. SEDGWICK: There isn't any, the London

takes all the risk.

MR. ROSENBERG: (interrupts).

suggesting whether it is good or bad, it is not for us

to say but it would almost seem that this difference

call the ideal name 10 per cent on first and 20 per cent

on second. It is related more to what the public will

MR. ROSENBERG: No, I feel actually that

you spend a lot of time, you work -- I know in my case

I am at the office from about ten after nine, half past

nine in the morning, I am never through until half past

ten, eleven o'clock, four or five nights a week. I think

if a broker is doing his job he is going to be one day

and night, inspections, appointments. I think because of

that the broker should be entitled to a fair deal through

minutes and get a bill for \$100.

MR. LAMBERT: Well, I am not going into

that. I suppose usually in handling the business for

difference in level of tariff from one customer to

others, it doesn't seem to have been favored



1 MR. ROSENBERG: No, the basis ---

2 MR. LAWRENCE: The thoery is to get more
3 for oranges than apples, is that it?

4 MR. ROSENBERG: Well, put it another way ---
5 let us put it this way. We are certainly competitive,
6 if you consider some finance companies charging 24
7 per cent and another particular company, such as
8 Superior Finance, charging 26.82 per cent.

9 MR. LAWRENCE: All I am saying is that 21
10 per cent effective cost to the borrowers is exorbitant.

11 MR. ROSENBERG: Well, we are not discussing --

12 MR. LAWRENCE: Well, the fees that are in
13 effect ---

14 MR. ROSENBERG: In my opinion the fees are
15 established by the effective cost of money to a borrower,
16 in effect, I subscribe we established the fees, yes.

17 MR. IRWIN: What we are getting at, boys,
18 is there any more work involved from your point of view
19 in putting on a second mortgage than a first, and if
20 so, what is it? Why do you want to charge twice as
21 much, for putting on a second mortgage?

22 MR. ROSENBERG: Well, the second is
23 arranging for a second mortgage money. In other words,
24 most people shy away from lending good money on a
25 second mortgage.

26 MR. IRWIN: All the people do?

27
28 --- (inaudible)

29
30



MR. LAWRENCE: No, the basis ---

MR. LAWRENCE: The theory is to get more

for oranges than apples, is that it?

MR. ROSENBERG: Well, put it another way, ---

but as you are talking about the ---

if you consider some financial companies charging 24

per cent and another particular company, such as

Superior Finance, charging 24 per cent.

MR. LAWRENCE: All I am saying is that 24

per cent effective cost to the borrower is exponential.

MR. ROSENBERG: Well, we are not discussing ---

MR. LAWRENCE: Well, the fees that are in

effect ---

MR. ROSENBERG: In my opinion the fees are

established by the effective rate of interest, and I am not

in effect, I subscribe we calculated the fees, yes.

MR. IRWIN: What we are talking about, however,

is there any more work involved from your point of view

in putting on a second mortgage than a first, and if

so, what is it? Why do you want to charge twice as

much, for putting on a second mortgage?

MR. ROSENBERG: Well, the second is

arranging for a second mortgage loan. In other words,

well, you are not going to charge twice as much for

second mortgage.

MR. IRWIN: All the people are



1 MR. LAWRENCE: I think, Mr. Rosenberg, I
2 think you are on the track of a valid point. It may,
3 be more difficult to attract second mortgage money and
4 for that reason when the thing --- at least it would
5 make sense to me to suspect that when you move from the
6 10 per cent tariff to the 20 per cent tariff, that that
7 extra 10 per cent goes to the guy that finds the money.
8 That would make sense.

9 MR. SEDGWICK: You have quite a time
10 breaking it down to between finder's fees before, but
11 you wouldn't bite.

12 MR. ROSENBERG: I wasn't thinking no ---

13 MR. SEDGWICK: Well, the point is just that
14 you are saying that it takes more work to find second
15 mortgage money than for first mortgages. You know
16 finder's fee, you want to break that to service charge,
17 broker's commission, finder's fee down. The finder's
18 fee presumably would be a lot more on a second mortgage
19 than on a first mortgage.

20 THE CHAIRMAN: Any other questions gentlemen?

21 I have asked the members of the Committee to
22 remain after the adjournment. Thanks for coming today,
23 Mr. Rosenberg. We appreciate you coming today instead
24 of tomorrow as we had originally planned. And that's all.
25 If there is nothing else then when this meeting is
26 adjourned I would ask the members to remain for about
27 five minutes.

28
29 ----- adjournment.

30



MR. LAWRENCE: I think Mr. Rosenberg, I

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